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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

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DEPARTMENT OF TRANSPORTATION
NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)
NONDEPARTMENTAL WITNESSES
PANAMA CANAL COMMISSION

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 17, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Chiles, and Byrd.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF ROBERT W. BLANCHETTE, ADMINISTRATOR

ACCOMPANIED BY THOMAS TILL, DEPUTY ADMINISTRATOR

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. Good morning. I apologize for being late.

This morning the subcommittee meets to hear testimony concerning the administration's fiscal year 1984 budget request for the Federal Railroad Administration. We are pleased to have with us today Robert W. Blanchette, Administrator of the Federal Railroad Administration, and W. Graham Claytor, Jr., president and chief executive officer of the National Railroad Passenger Corporation (Amtrak).

Gentlemen, welcome. Mr. Blanchette, if you could start off, please. Without objection, your complete statement will be inserted in full in the record as if read and you may summarize. Mr. Blanchette.

STATEMENT OF ROBERT W. BLANCHETTE

Mr. BLANCHETTE. Thank you. Good morning, Mr. Chairman. It is a pleasure to appear before you today to present the Federal Railroad Administration's budget request for fiscal year 1984.

I have a prepared statement which I will submit, and I would like to briefly highlight it.

The thrust of the Federal Railroad Administration for fiscal year 1984 is a continuation of the policy that we set forth 2 years ago, which is basically to get the railroad out of its meddlesome role in the railroad business into a more creative posture. And I think we have been successful in doing that.

I note with some satisfaction that we have been able to cut the programs over the last 2 years some 42 percent and cut the payroll by 21 percent, without affecting in any way, shape or form the efficacy of this organization. It is somewhat self-serving, but I think indeed we have added to the effectiveness of the organization.

We have, I will note, not made any cuts in the safety portion of our program, and indeed there has been an increase in the employment level of the safety forces. So that I would, looking to 1984, say that we intend to escalate our efforts in safety and it will be an unabated effort at the FRA.

We are ready for the rest of our programs, and fortunately, with respect to Amtrak, while Mr. Till will handle the detailed questions, we have our own version of Pax Romana with Amtrak, so that we have stipulated a factual record. This is the second year we have done that, where the facts are not in issue and you may just apply whatever policy assumptions that you wish to apply to those facts.

Thank you.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Blanchette. We have your prepared statement and it will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF ROBERT W. BLANCHETTE

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to present the Federal Railroad Administration's budget request for Fiscal Year 1984.

Our agenda for FY 1984 is rooted in the direction FRA charted two years ago. As a result, I should like to review our stewardship against our original policy direction. This review can serve the dual purpose of accounting for our activities to the Subcommittee and of setting the framework for our 1984 initiatives.

FRA's policy goal has been to end the Federal government's role as a major owner, financier, regulator and handicapper of the Nation's railroads. The 97th Congress agreed with this goal and provided the necessary tools for its attainment through the passage of landmark legislation: the Northeast Rail Service Act of 1981 (establishing provisions for the divestiture of Conrail), the Amtrak Improvement Act of 1981 (encouraging actions by Amtrak to reduce Federal subsidies), the Federal Railroad Safety Authorization Act of 1982 (repealing outdated rail safety requirements), and the Alaska Railroad Transfer Act of 1982 (authorizing the transfer of the railroad operation to the State of Alaska).

Through the combined actions of Congress and the Administration, we have sharply reduced FRA's appropriations and personnel levels. Budget authority (excluding the non-recurring valuation settlements) has been reduced 42 percent, from the historical peak level of more than $1.6 billion in FY 1979 to $932 million in FY 1983. On-board personnel (excluding the Alaska Railroad) has declined by 21 percent, from 855 employees at the end of FY 1979 to an estimated 677 employees at the close of the current fiscal year. Exhibit I shows these year-by-year changes.

EXHIBIT I

SUMMARY OF BUDGET AUTHORITY AND EMPLOYMENT
(Dollars in millions)

	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	Percentage Change (FY 1979-83)
Budget Authority	$1,616	$1,561	$1,605	$1,130	$932	-42%
Employment	855	861	777	687	677	-21%

RAILROAD DEREGULATION AND FEDERAL ASSISTANCE

The Administration began with a firm commitment to implement the promises of economic deregulation made in the Staggers Rail Act of 1980. The Department urged the Interstate Commerce Commission to exempt coal export and boxcar traffic from regulations, to allow more flexibility in the rate structures of railroads, and establish guidelines for coal rates to enable differential pricing by railroads and protect captive shippers. These initiatives have met with a large measure of success.

Federal financial assistance programs were reassessed in the new climate of improving industry finances and physical plant. We concluded that there were opportunities to shift the emphasis away from Federal financing. We declined loan applications which appeared to be candidates for private financing, which indeed was secured.

At the same time, we provided for the completion of meritorious applications before us. FRA committed $30 million in preference share financing to the State of South Dakota to rehabilitate and preserve service on the 482-mile Miles City line purchased from the Milwaukee Road. Agreements have been completed to provide $40 million in Federal assistance for the acquisition of 650 miles of former Rock Island track and operating rights between the States of Kansas and Texas by the

State of Oklahoma, the Oklahoma, Kansas, Texas Rail Users Association, and the Missouri-Kansas-Texas Railroad Company.

Most of the remaining $69.1 million of redeemable preference share financing has been earmarked for specific projects by Congressional action. These projects include acquisition and rehabilitation of former Rock Island lines, and terminal and yard improvements in East St. Louis and Kansas City. Negotiations are proceeding as quickly as possible on those projects.

FRA's assistance programs have served the need for which they were intended. We do not foresee any additional meritorious applications for major projects for correcting deferred maintenance on heavy-density interstate rail lines. For local rail service needs, 15 States have developed their own funding sources in excess of the funds available in the Federal program which certainly is a sign that the States are moving in the right direction.

AMTRAK

At the end of 1980, Federal subsidies for Amtrak were heading toward the $1 billion mark; the fiscal process had gone out of control. We gathered the evidence that such profligate ways were not necessary to the preservation of a national system. Amtrak, we urged, could operate like a business. Congress agreed and responded. Appropriations were reduced to $896 million in FY 1981, $735 million in FY 1982, and $700 million for the current fiscal year. Amtrak has met these budgetary challenges while improving its overall effectiveness.

Under the resourceful guidance of Graham Claytor, Amtrak has continued improvements in productivity and service quality. The Corporation's revenue-to-cost ratio increased from 42 percent in FY 1981 to 50 percent in FY 1982; it is expected to meet or ex-

ceed the legislative requirement of 50 percent in FY 1983. On-time performance for the full Amtrak system service improved to 79 percent in FY 1982, and is expected to meet its goal of 80 percent in FY 1983. Express Metroliner service between New York City and Washington, DC, which was inaugurated last year, continues to be highly reliable, with a 92 percent on-time performance record.

The list of improvements is impressive. New or rehabilitated equipment is reducing maintenance costs. New labor agreements, especially those related to Amtrak's takeover of operating crews on the Northeast Corridor, have reduced personnel costs. Premium fares and extra-frills services, especially on the Express Metroliner and Florida routes, have had positive impacts on revenues. As a result, the Federal subsidy per passenger has declined from over $42 in FY 1981 to about $33 in FY 1983.

NORTHEAST CORRIDOR IMPROVEMENT PROJECT

In 1981, FRA restructured the Northeast Corridor Improvement Project to put even greater emphasis on passenger safety and service reliability. In doing so, the Administration recommended a reduction in the total project cost to $2.19 billion. By the end of FY 1984, all of the work included in the Administration's total funding level will be either under contract to private firms or underway as specific tasks by Amtrak forces. Nearly 90 percent of the work will be complete. Completion of the project will provide safe and reliable rail passenger service in the Northeast Corridor, and will provide schedules at, or very close to, the original travel time goals stated by Congress. Amtrak now agrees that the costly electrification program between New Haven and Boston can be eliminated.

From its inception through 1982, the project has placed concrete ties over 400 miles of track, laid 540 miles of continuously welded rail, completed 466 miles of track undercutting, and resurfaced 634 track miles for high-speed operations. FRA and Amtrak rehabilitated 115 bridges, constructed maintenance-of-way bases at Providence, Rhode Island and at Odenton and Perryville, Maryland, and began construction of equipment service facilities at Washington, Wilmington, and Boston. Station rehabilitations are underway in New London, New York City, Newark, Trenton, Wilmington, Baltimore, and New Carrolton. Work is scheduled to begin this year on the remaining stations in Boston, Providence, New Haven, Stamford, Metropark, and Philadelphia. In addition, a major construction effort is underway at the B&P Tunnel in Baltimore.

WASHINGTON UNION STATION REDEVELOPMENT

Union Station was converted by the Department of Interior to a National Visitors' Center for the 1976 Bicentennial. Subsequently, this historic railroad station fell into a serious state of disrepair and finally became unsafe for public use. The Administration and the 97th Congress took the first steps toward redeveloping this fine old building by conducting new engineering and marketing studies directed by the Union Station Redevelopment Act of 1981.

Only two weeks ago, Secretary Dole announced an agreement with Amtrak to begin the redevelopment of Union Station so that railroad passengers can return to the original loading and discharging sites within the building. As soon as the initial rehabilitation is completed, this building will be ready for further office and commercial development.

ALASKA RAILROAD

The Administration and the 97th Congress also worked closely together on the Alaska Railroad Transfer Act of 1982. This legislation authorized the transfer of the Alaska Railroad to the State of Alaska. This goal had been unsuccessfully sought for years.

CONRAIL

The most complex and difficult problem that we addressed was that of Conrail's divestiture. The Administration began with the conviction that the Federal government should no longer own and subsidize Conrail. In less than eight months, Congress affirmed our judgement with passage of the Northeast Rail Service Act of 1981 (NERSA). We are fortunate to have Stan Crane, the Chairman of Conrail, working so effectively towards our common goals of profitability and private ownership.

NERSA relieved Conrail of excessive cost burdens and established a process for the transfer of Conrail to private ownership. A rational labor protection program has enabled a reduction of 2,900 excess brakemen and firemen, resulting in estimated annual savings of $80 million. Additionally, Conrail's management and labor unions negotiated a massive wage deferral agreement. Conrail has also abandoned 2,600 miles of uneconomic lines and transferred all commuter services to State and local governments.

Conrail has achieved profitable operations through the marketing and pricing innovations that became available under the Staggers Rail Act of 1980. Despite the recent period of record traffic declines, Conrail has reported a profit for 1982 of $174 million under Generally Accepted Accounting Principles or $2 million under ICC accounting basis.

The Department has retained the investment banking firm of Goldman, Sachs and Company to assist DOT in selling the railroad. I am optimistic that Conrail will meet the NERSA profitability tests and that we will have a green light to move forward on a stock sale.

SAFETY

FRA's safety program is based on the premise that cooperation and consensus yield better results than the unilateral ukases of the regulators.

During the past two years, railroad safety regulations were brought into line with the present-day needs of railroads operations. For the first time, rail labor and management were brought together to review Federal regulations and recommend changes jointly. As a result, consensual revisions are now in place for track safety standards, power brake regulations, and car interchange rules. In addition, FRA will issue Notices of Proposed Rulemaking this month concerning signal and train control regulations, and is working on a consensual approach to the control of alcohol and drug abuse in rail operations.

Since 1981, FRA has made considerable progress towards adequate manning levels in safety enforcement. Exhibit II outlines the increases made in field staff. Of the 24 additional positions authorized for FY 1983, 17 have already been filled and selections have been made for three positions. We expect to have personnel on-board for all 379 authorized positions within the next two months.

EXHIBIT II

FRA REGIONAL OFFICES
On-Board Personnel

Inspector Discipline	FY 1981 (Actual)	FY 1982 (Actual)	FY 1983 (Projected)
Regional Safety Directors	8	8	8
Motor Power & Equipment	98	98	100
Operating Practices	45	49	58
Track	72	72	88
Signal & Train Control	29	33	33
Hazardous Materials	27	28	30
Total	279	288	317

(Excludes trainee and clerical personnel.)

TRANSPORTATION TEST CENTER

FRA determined early on that it did not need to retain management responsibility for the Transportation Test Center in Pueblo, Colorado. Since this research facility conducted valuable testing for railroads, equipment suppliers and other Federal agencies, we concluded that it would be better marketed and operated by the railroad industry itself. The Association of American Railroads agreed, and assumed management of the Center at the start of FY 1983. FRA, of course, will remain a major user of the facilities for safety related research and testing.

FRA REORGANIZATION

To deal more effectively with our new directions and program priorities, I have streamlined FRA's management and organizational structure. A new position of Executive Director was created to improve coordination in the day-to-day management of our administrative operations, financial assistance and research programs, oversight activities of Amtrak and the Alaska Railroad, and work in the Northeast Corridor Improvement Project.

FY 1984 BUDGET REQUEST

Our FY 1984 budget request assumes a continuation of these policies. FRA's total FY 1984 budget request is $868,396,000, exclusive of extraordinary items such as litigation settlements and technical intra-agency loan defaults. This is $59,331,000 less than the FY 1983 figure of $927,727,000 for comparable items, a reduction of 6 percent. Our request in FY 1984 for permanent positions is 700, which is 622 positions less than FY 1983. Of this reduction, 585 positions are attributable to the proposed transfer of the Alaska Railroad to the State of Alaska.

ADMINISTRATION, RESEARCH, AND SPECIAL PROJECTS

In FY 1984, I am proposing to consolidate all of the salaries and expenses and contractual support, except Railroad Safety, into one appropriation entitled "Administration, Research, and Special Projects." Merged into this appropriation would be the administrative expenses and contract support of previous appropriations which included Office of the Administrator, Railroad Research and Development, Rail Service Assistance, and FRA staff expenses of the Northeast Corridor Improvement Program.

I believe that it is unduly cumbersome to continue separate appropriations for these accounts when the objectives for which these appropriation accounts were created have largely been met. The programs that provided Federal financial assistance to the railroads are in their final stages. The Railroad Research and Development office is being reduced in function and size. The office's primary role is to support FRA's safety function. This requested consolidation will allow flexibility to manage personnel and resources in accordance with changing programs and priorities.

I am requesting $40,736,000 and 255 permanent positions for this account, a net decrease of $24,676,000 and 37 permanent positions from our comparable FY 1983 level. The major decrease of $20,750,000 is attributable to the proposed elimination of Federal funding for the Local Rail Service Assistance program. The reduction in permanent positions reflects cutbacks in various line and staff functions, resulting in salary and expense savings of $1,625,000.

The consolidated contract support activity, which contains elements of policy support, R&D support and special projects, reflects a funding level of $21,965,000, a reduction of $1,970,000 from FY 1983. Policy support has been reduced by $2,410,000, which is partially offset by minor increases in R&D support and special projects.

The remaining $854,000 of the Administration, Research, and Special Projects request is for borrowing authority to pay interest on inter-agency loan guarantees.

RAILROAD SAFETY

FRA requests $26,514,000 and 445 permanent positions, a net decrease of $1,486,000 from our FY 1983 level, but with no change in permanent positions. The request for budget authority reflects an increase of $3,801,000 for our field inspection efforts, offset by a decrease of $487,000 in headquarters expenses and a decrease of $4.8 million for the State safety inspection program and automated track inspection program.

In the Federal enforcement program, carryover funds of $2,600,000 were reprogrammed to finance the 24 new positions allowed in FY 1983, as well as additional pay costs and increased travel expenses. The remaining increases are composed of $149,000

for the annualization of the FY 1983 pay increases and related benefits, $751,000 for contractual support, and $300,000 to provide the full year cost in FY 1984 of vacancies filled in FY 1983.

CONRAIL LABOR ASSISTANCE

FRA is requesting $20 million for FY 1984. This will ensure that funds are available to provide benefits to additional Conrail employees affected by further abandonments, and facility consolidations, and will cover any remaining claims due to the transfer of commuter services and Amtrak's employment of intercity passenger crews on the Northeast Corridor.

SETTLEMENTS OF RAILROAD LITIGATION

In FY 1984, $38,545,000 is requested for settlements of railroad litigation, in contrast to a level of $87,467,000 in FY 1983. Although the funds are contained in FRA's budget, responsibility for the settlements rests with the United States Railway Association.

NORTHEAST CORRIDOR IMPROVEMENT PROGRAM

We are requesting an appropriation of $100 million to bring the total amount appropriated to the full $2.19 billion level approved by the Administration. The remaining focus will be on completing the track improvement program, building new service facilities, installing signals, hazard detectors and switch heaters, and renovating stations.

AMTRAK

For FY 1984, FRA is proposing an appropriation of $682 million to cover operating expenses, capital acquisitions and improvements, and labor protection. For the second consecutive year, Amtrak and FRA agree on the factual premises of the budget submissions, including the dollar differences under various legislative assumptions.

ALASKA RAILROAD

No funds are requested for the Alaska Railroad in FY 1984. The Alaska Railroad Transfer Act of 1982 authorizes the transfer of the Alaska Railroad to the State of Alaska. It is anticipated that the transfer will take place before the statutory deadline of July 14, 1984.

Mr. Chairman, this completes my prepared statement. I will be happy to answer any questions the Subcommittee may have.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

STATEMENT OF W. GRAHAM CLAYTOR, PRESIDENT AND CHAIRMAN

ACCOMPANIED BY DON BRAZIER, GROUP VICE PRESIDENT, FINANCE AND ADMINISTRATION

INTRODUCTION OF WITNESSES

Senator ANDREWS. Mr. Claytor, I understand you have a statement. Incidentally, congratulations on the great job you are doing on Amtrak. You were running during the blizzard when the underground railroad known as Metro could not. I do not know why the snow happened to penetrate those tunnels, get down there and louse up their underground run. But as you know, people in Washington could not get to the station where you had the track free above ground and the trains running. I guess that is testimony that somebody knows what he is doing.

Mr. CLAYTOR. Well, I was very proud of the job our people did there. They did a real professional job in keeping operating all the way to Boston when everything else was shut down, and that is the way I hope we can keep on doing it.

Mr. Chairman, I have with me Mr. Don Brazier, our group vice president, finance and administration, and chief financial officer. I would like to ask that my statement be included in the record if I may.

Senator ANDREWS. It shall, as you know, just as though every word was given.

Mr. CLAYTOR. Thank you.

It is a great pleasure and privilege to be here.

My principal goal at Amtrak is to provide better service for essentially our present national system, at lower cost to the Government. We have made a great deal of progress in this, and much of it was made by my very distinguished and able predecessor, Alan Boyd.

What we have been able to do in improving our revenue to operating cost ratios, our labor productivity through new contracts and otherwise, and emphasizing and implementing our training program, have been spelled out in my prepared statement. In the interest of time I will not further summarize them here.

I cannot resist the temptation, however, of mentioning our ontime performance, because I picked up my morning report before I left the office, reporting on yesterday's trains. Of our 10 express Metroliners, 1 was on time, 8 were 1 to 6 minutes ahead of time, and 1 was 2 minutes late. That is the kind of service we are going to try to perform regularly.

AMTRAK BUDGET REQUEST

Now, what I would like to do is to turn directly to our appropriation request. The administration's budget request for Amtrak comes to $682 million, consisting of $614 million in operating funds and $68 million in capital funds. Amtrak agrees that, given certain stated assumptions made as the basis for the administration's request, we can join in going for this figure. However, we have to examine the assumptions fairly carefully.

We all agree that these figures are based on the assumption that Amtrak will continue to be excused from interest payments to the Federal Financing Bank this coming year; that we do not include any increase in railroad retirement or railroad unemployment tax; and that inflation will not exceed 8 percent in railroad labor and materials.

To reach the administration budget figure of $682 million, however, some additional assumptions must be made. The 403(b) and 403(d) statutes would be amended to include full long-term avoidable costs; a lump sum ceiling of $20,000 would be imposed on labor protection payments, as has been done with Conrail labor protection; and substantial earmarked capital funds will not be spent or will be otherwise funded.

Now, Mr. Chairman, if I may, could I ask you to turn to attachment 1 that is contained at the end of my prepared statement, and I think I can rather quickly show the reconciliation between our request and the FRA request. Amtrak's operating and labor protection is set at $652 million—$649 million for operations, which is slightly below what we asked last year, and $3 million for labor protection.

The administration figure of $614 million is really the same as that if we subtract from our figure the savings that would result from the three legislative proposals that would affect operating costs made by the administration—the full costs for 403(b) and either repeal or full costs for 403(d) trains and labor protection, adding up to $38 million. That is the difference between our $652 million and their $614 million.

CAPITAL FUNDS

Now, if we look at capital, we have a figure of $148 million; they have a figure of $68 million. But again, they come together. In fiscal year 1983, in the Rail Safety Act, Congress directed that the Atlantic City track reconstruction of $30 million be funded basically from the existing NECIP program and that the West Side Connection in New York City be financed in the amount of $30 million from Amtrak's capital programs.

Amtrak has funded the first $10 million for the West Side Connection from its fiscal year 1983 program, leaving $20 million to be provided to complete the program in 1984. If all of these items are otherwise funded or if we were not required to spend these funds, $50 million can be cut from our figure of $148 million, to $98 million.

Now, in our budget justification we have listed capital items that we plan to do in 1984 amounting to $98 million. However, another statute, the DOT Appropriation Act for 1983, earmarked Amtrak capital funds for the Shelbyville, Ind., track reconstruction of $25 million and

Hyannisport, Cape Code, track reconstruction of another $5 million, making $30 million.

We have set those funds aside from our 1983 budget and if we are not required to expend that amount, it can be applied to capital in 1984. That $30 million would then reduce our $98 million to the $68 million that the administration requested.

So in summary, Mr. Chairman, we can join the administration's request for a total of $682 million for 1984, if all the assumptions I have discussed become realities. If none of them occurs, our request must be for $652 million operating and $148 million capital, for a total of $800 million.

Mr. Chairman, I would now be glad to try to answer any questions the committee has about anything I have covered, about anything in my prepared statement, and, in fact, about anything else in which the committee is interested.

Thank you.

PREPARED STATEMENT

Senator ANDREWS. Well, thank you, Mr. Claytor. We have your prepared statement and it will be placed in the record.

[The statement follows:]

STATEMENT OF W. GRAHAM CLAYTOR, JR.

Mr. Chairman and Members of the Committee, it is my pleasure to appear before this Committee for the first time as President of Amtrak.

I came to Amtrak, Mr. Chairman, with a goal of improving every service we are currently operating and at the same time making every effort to reduce the federal grant to Amtrak in a way that will not result in a deterioration of service.

One observation I have made in my brief tenure at Amtrak is that this Corporation operates more in the public eye and is subject to more continuing scrutiny than almost any private enterprise. I am not sure how other corporations might meet the test of operating in a fishbowl, but I am proud of Amtrak's performance.

As you know, Mr. Chairman, Amtrak received a two-year authorization in the Amtrak Improvement Act of 1981, which expires at the end of this fiscal year. Although the complex budget process which produced the 1981 legislation actually reduced Amtrak's authorized federal grants from the levels of previous years, the 1981 legislation provided the Corporation greater flexibility to make decisions that resulted in more efficient use of corporate resources and helped achieve financial and performance goals mandated by law. The Corporation has enjoyed a high degree of stability over the last two years and has consistently improved the quality of service it provides.

In Fiscal Year 1982, although a depressed national economy kept systemwide ridership below projected levels and skewed our revenue and cost forecasts, Amtrak was able to demonstrate its ability to function as a first-rate operating railroad. In the

face of a declining economy, Amtrak was able to reduce its administrative and infrastructure costs while implementing marketing strategies to maximize revenues. As a result, Amtrak met its statutory goal of recovering 50 percent of its costs through revenues in Fiscal Year 1982 and is determined to improve on this performance in Fiscal Year 1983.

Amtrak's financial performance must be put in the context of the entire commercial transportation industry. After an approximate 10 percent growth rate per year over the past decade, the industry recorded a decrease in the total revenue base for the first time in its history. The airlines maintained ridership through competitive discount pricing which accounted for 80 percent of the industry's seats sold last October. However, current economic conditions and heightened competition were to blame for the third consecutive year of airline losses in 1982. Amtrak, on the other hand, followed a strategy quite different from the airlines in order to meet the statutory requirement to recover 50 percent of our costs through revenues.

In addition, the Corporation expanded its mail and express program and began to better utilize real estate and other assets to increase revenues from sources other than ticket sales. I might add, Mr. Chairman, that in fulfilling the statutory goal to maximize our resources, Amtrak has been extremely careful not to use federal grants to compete with the private sector in our revenue diversification efforts; I am confident these efforts have been accomplished without any direct federal support.

Amtrak will continue to institute innovative marketing strategies on selective routes. Recently, Amtrak kicked off a new national marketing campaign which we hope will make potential passengers recognize that we truly are a first-class carrier with an extensive national network, excellent on-time performance,

modern equipment, and solid support services. We followed the introduction of the campaign with a discount fare promotion designed to give people a desire to try our services, maintain revenues and improve ridership during the slow winter travel period.

Amtrak has also imposed tight spending controls which have held down our expenses in virtually every area of our operating budget. Many of these savings were simply attained by resource and manpower productivity improvements. In addition, I have asked each department at Amtrak to institute thorough scrutiny of its budget and have required a rejustification before any personnel vacancy is filled. Between FY 1980 and FY 1982, Amtrak reduced its total employment by over 2000 people. Productivity improvements and cost controls have made Amtrak a leaner but more efficient operation.

Despite these cost-cutting measures, Amtrak's service has continued to improve in almost every area. These are not isolated achievements, but represent consistent progress in financial, operating, equipment and customer service performance over the last four years.

To be more specific:

- Significant progress was made through agreements with labor in both the operating and non-operating crafts. Amtrak was able to achieve substantial productivity gains with our labor partners without work stoppages.

- Revenues in FY 1982 were up 10 percent from that of FY 1981. Amtrak's revenue per passenger mile yield increased by 14 percent which compares favorably with the

4 percent decline recorded by the scheduled airlines. Amtrak's Fiscal Year 1983 revenues are expected to be significantly higher than they were in Fiscal Year 1982.

- The Corporation has reduced both personnel and its train operating expenses, has improved productivity, and is ahead of its statutory goal to increase the number of passenger miles generated systemwide per dollar of federal support by at least 30 percent over the two-year period of Fiscal Years 1982 and 1983. In FY 1982 Amtrak achieved productivity improvements that resulted in a 14 percent increase in passenger miles generated per constant dollar of federal subsidy. In FY 1983 we are expecting to achieve a 17 percent increase over the FY 1982 level, resulting in a cumulative increase since FY 1981 of 33 percent.

- 1982 was the first time Amtrak's system operated with an all-electric passenger car fleet eliminating the need for steam equipment of the type that has been in use for the last century. All of Amtrak's passenger cars and most of its locomotives are now either new (less than five years old) or totally rebuilt. The capital commitment made by Congress to improve Amtrak's equipment is now paying dividends. This modern fleet, along with improved maintenance, has yielded the best on-time performance ever -- nearly 80%, surpassing the performance of many other public carriers.

- Service improvements are evident from the decline in the number of passenger complaints. For example, complaints dropped almost 50 percent in 1981 from the previous year and an additional 17 percent in 1982.

- Despite the poor economy, the Corporation carried more than 19 million people in FY 1982 and retained its position as the sixth largest intercity passenger carrier in the country.

BUDGET

I am well aware of the current environment of fiscal restraint facing the Federal Government. Despite our improvements in productivity and performance, we are dependent upon federal support. As long as I am President of Amtrak, I intend to be frank about Amtrak's funding needs and tenacious about reducing costs. The fact is that there are no passenger railroads in the world that are operating at a profit. Congress should not expect Amtrak to make money but you should expect that the federal commitment will be well managed. I intend to do everything I can to fulfill that expectation.

As I have indicated earlier, during Fiscal Year 1982, Amtrak had taken a number of rigorous economy measures to hold down its operating expenses and improve its productivity in order to meet the congressional mandate of achieving a 50 percent revenue-to-cost ratio. Efforts at cost control were successful and, as a consequence, Amtrak spent approximately $77 million less on operating expenses in Fiscal Year 1982 than we had originally estimated, and we informed the appropriate committees that we could apply the operational savings to our Fiscal Year 1983 funding requirement. Also, we reduced our FY 1983 capital budget by $11 million and thereby advised Congress that we would be able to meet the funding level contemplated in our Fiscal Year 1983 appropriation request of $788 million, with an appropriation of only $700 million.

I also made it clear that the $700 million appropriation was premised on the assumption that Amtrak would not be required to use any of these funds to purchase or upgrade the track along the Indianapolis-Cincinnati route. Congress subsequently passed the Fiscal Year 1983 Transportation Appropriations Act, which was signed by the President on December 18, 1982, and which provided $700 million for Amtrak but still required Amtrak to set aside $25 million of this appropriation until mid-June 1983. The effect of this was to further reduce by $25 million our ability to carry out our capital program -- at least until after mid-June of this year.

For Fiscal Year 1984, Amtrak proposes an operating grant of $649 million, which is slightly below last year's request of $650 million. With additional revenues and cost controls, Amtrak is able to stay at this level despite an inflation rate of 8 percent* which is equivalent to approximately $100 million in cost.

This request is based on a total operating budget of $1417.6 million and projected revenues of $773.7, a 14 percent increase over FY 1983 estimated revenues. This cost and revenue estimate is one with which the Administration agrees and was used as the basis for its budget request.

Our funding level assumes that Amtrak will continue to operate in Fiscal Year 1984 all routes currently in the national system, and that there will be no change in the law with respect

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* The railroad industry generally experiences a higher inflation rate than the national average due to a different mix of goods and services. Instead of home mortgages, clothing and other household costs that are included in the Consumer Price Index, Amtrak's inflation rate is heavily dependent on labor agreements and the price of specialized materials such as wooden ties, copper and steel.

to the level of state contributions for 403(b) service or 403(d) "sunset commuter" train service. Amtrak agrees with the Administration that additional savings would be achieved if the law were changed to require the states to pick up more costs of operating 403(b) and 403(d) services. However, from our budget planning point of view, we have necessarily assumed existing law, so that we will continue to have these funding requirements. Amtrak's budget also assumes that:

- inflation will not exceed 8 percent (based on a railroad labor and materials inflation index).

- Amtrak will continue to be excused from interest payments to the Federal Financing Bank.

- no substantial increase in the employer contribution will occur under the Railroad Retirement Act or the Railroad Unemployment Insurance Act.

Although Amtrak cannot yet determine the actual impact of increasing the employer contribution to railroad retirement, we can provide the Committee with a general rule of thumb: for each percentage increase required of the employer for railroad retirement, the cost to Amtrak will be approximately $6.4 million per year. In addition, when the Railroad Unemployment Insurance Act (RUIA) base increases by $100 per month, the cost to Amtrak will be an additional $2.3 million annually.

Although there is a high degree of uncertainty over any projection beyond 1984, Amtrak believes that a two-year authorization will allow us to achieve efficiencies through planning. Earlier this week, I informed the Senate Committee on

Commerce, Science and Transportation that I would be happy to work closely with it during the next few months to arrive at a reasonable out-year level, if Congress agrees that a two-year authorization is desirable.

I am pleased to note that the President's budget also assumes that Amtrak will continue to operate the current national system. This is particularly important, Mr. Chairman, because past public debates over the elimination of Amtrak routes have had an adverse effect on our ability to market these services. In a recent survey, Amtrak found that debates over eliminating service leave a misconception in the minds of the traveling public regarding the continued availability of Amtrak service. Over 73 percent of those polled in the course of this study believed that government budget cuts had resulted in the elimination of a number of Amtrak trains, and 62 percent felt sure that rail service had been cut on routes they might want to travel. Further, many potential passengers, when making travel and vacation plans, simply eliminated rail travel as an option because they felt there was a good chance Amtrak would not be around in the future.

Amtrak and the Administration are in essential agreement on Fiscal Year 1984 funding for operating assistance. Our only difference on the operating grant concerns the Administration's assumption of $38 million of cost reduction as a result of specific changes in the law. A brief review of the Administration's assumptions highlights the legislative changes required in the Rail Passenger Services Act in order to enable Amtrak to operate the current system under the Administration's budget.

The Administration's budget assumes $27 million in savings by changing the law to require states and passengers to pay for

100 percent of all costs to operate the existing 403(b) service. Congress recently modified the funding formula for 403(b) service in the Amtrak Improvement Act of 1981, P.L. 97-35. The 1981 Act requires states to pay 45 percent of the first-year losses and 65 percent of the second and all succeeding years to operate the service, in addition to 50 percent of all associated capital costs. The law was intended to provide for a gradual transition toward a greater non-federal share in the funding of these trains. If Congress changes the law to increase the state contribution to 100 percent for 403(b), it is important to note that to achieve the full $27 million savings, all states must continue to participate at the same level to avoid triggering labor protection payments resulting from discontinued service that would cancel some of the savings assumed in this change. Although the Administration's proposal may be a desirable objective, it would probably result in decisions by states to cancel most 403(b) state-supported services. An additional factor is that many of the affected state legislatures will not be in session by the time a federal statute is enacted which will make it impractical, if not impossible, to increase the state contribution during Fiscal Year 1984.

The Administration also assumes a $9 million savings by requiring states or communities and passengers to pick up 100 percent of the cost of the 403(d) "sunset commuter" trains, or by eliminating these services. Amtrak agrees that such a savings is possible if it ceased to operate these routes or if some entity other than Amtrak fully paid for the operation of these services.

What we need most is the flexibility to make adjustments to these services as circumstances require, as well as the leverage to negotiate an equitable arrangement with the states or communities involved, similar, for example, to the contract now

in effect with the State of Maryland, for whom Amtrak is operating a commuter service. To obtain this leverage, we need to be relieved of the statutory obligation to operate these 403(d) services if we are unable to negotiate an equitable arrangement for compensation with the states or local commuter authorities. As you may recall, Congress amended Section 403(d) in the last Amtrak authorization bill by removing the sunset date and establishing specific ridership criteria for these services. Amtrak will continue to provide any information or assistance Congress may need in making further program adjustments to achieve additional savings in these areas.

As you know, the Administration recommends a $68 million capital budget for Amtrak for right-of-way and station improvements and to continue to upgrade the Corporation's rolling stock. Amtrak has a requirement for a capital grant budget of $148 million, which includes a basic capital program of $98 million plus additional statutory requirements of $50 million. I have submitted a detailed breakdown of our capital request for the record.

Our program includes $50 million for projects that Amtrak has a statutory obligation to fulfill. If these projects were funded separately, our capital requirement could be reduced to a level of $98 million.

The Fiscal Year 1983 Department of Transportation Appropriations Act also requires that Amtrak reserve $30 million of Fiscal Year 1983 capital for upgrading of the Shelbyville and Hyannis lines. If we were released from these requirements, we could then apply this 1983 appropriation to our Fiscal Year 1984 capital needs and further reduce our request by $30 million. If all of these assumptions were achieved, Amtrak could therefore reduce our total capital request to $68 million, which is the

amount proposed by the Administration. See Attachment 1 to this statement for a summary of this reconciliation.

Capital investments are by nature discretionary, but there is a price to be paid for each foregone investment opportunity. Selection of a particular capital program is necessarily somewhat arbitrary and a matter of judgment. There are no specific guidelines to follow that guarantee that a particular mix of funded projects is essential to the short-term success of a route. Amtrak's capital request reflects our needs to meet the statutory standards set by Congress and to meet our own goals of improving service to our passengers, while reducing reliance on federal funding. The capital budget must be viewed as a long-term investment in our rail passenger system and improvements to facilities and rolling stock can be correlated to Amtrak's financial and operating performance in addition to the quality of service we provide to the general public. While a reduction in this capital request may be attractive in the short term, deferral of many of these programs will require a larger infusion of funds from some future Congress. Amtrak's Fiscal Year 1984 capital budget is a request for funds necessary to undertake only those projects which would result in a high return on investment and which we believe would help us operate more efficiently, improve productivity and further reduce operating costs in the future.

Labor Protection

Amtrak has estimated and budgeted $3 million for labor protection payments in Fiscal Year 1984 as a result of previous discontinuances of intercity service. Frankly, Amtrak would rather pay people to work than pay labor protection payments. That is why we are seeking a change in the law which would allow Amtrak to offer displaced employees a comparable job with Amtrak

in lieu of labor protection payments. Currently, an employee displaced by a discontinuance can opt for labor protection payments instead of a comparable job if the position is more than 30 miles from his place of residence. There are a significant number of employees who currently receive C-2 payments and who are qualified to fill vacant positions within Amtrak beyond the 30-mile range limitation. If Congress were to lift the 30-mile limitation, a substantial portion of our labor protection budget would be used more productively.

Debt and Interest

Amtrak assumes deferral or forgiveness of the interest expense and payment of Amtrak's debt to the Federal Financing Bank (FFB) in Fiscal Year 1984. The Amtrak Improvement Act of 1981 deferred the requirement to pay interest to the FFB during Fiscal Years 1982 and 1983 and directed the Department of Transportation to recommend how best to relieve Amtrak of the debt. That two-year deferral on paying interest expires at the end of Fiscal Year 1983. If Amtrak is not granted continued legislative relief, the Corporation will be required to pay $200 million to the FFB on October 1, 1983, and $66 million for Fiscal Year 1984 interest payments.

The Congress has asked the Administration for a recommendation on termination of this debt. In Amtrak's view, the most reasonable solution would be to convert the debt to additional shares of preferred stock. This would solve the problem of budget outlays inflated simply by interest payments going from the Department of Transportation to the Department of the Treasury and would fully protect the government's interest in the assets acquired with the loan funds. Alternatively, we would recommend continuation of the existing moratorium on payment of interest.

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Freedom of Information

Amtrak is also seeking statutory relief from the disclosure requirements of the Freedom of Information Act, a statute which was generally designed to facilitate public access to government records and documents. Experience has shown that virtually all information about Amtrak's performance and its compliance with its statutory goals becomes public information and is routinely made available through other channels. Congressional reauthorization and the annual appropriation process provide for detailed analysis of the Corporation's past performance, projections and budgets. And recognizing its duty to keep the public well informed, Amtrak regularly disseminates substantial amounts of information to the public.

The majority of Freedom of Information Act requests, however, are for competitive information submitted to Amtrak by third parties who either bid or are interested in bidding on Amtrak contracts. During calendar year 1982, 78 of 95 FOIA requests Amtrak received were for bid information. The FOIA has also been used by litigants who sought to better their position against Amtrak in lawsuits by supplementing the normal discovery process. No business corporation should be required to be subject to the FOIA. Congress expects Amtrak to be businesslike and it should be treated like the business it is.

Union Station

As you know, Amtrak has been working with Secretary Dole on funding the redevelopment of Washington Union Station. It is critical that Union Station be returned to use as a rail passenger station as well as a business and transportation center. Currently, nearly four million intercity and commuter

passengers pass through Union Station each year. The redevelopment of the station will provide a more convenient facility for our passengers and will improve our prospects for increasing ridership and revenue in the Northeast Corridor.

Auto-Ferry Service

Amtrak believes that auto-ferry service between the Washington, D. C. area and Central Florida will make a profit, thus reducing the need for federal operating grants for other Amtrak services. We are currently taking steps that would enable us to institute such service by late 1983. We are optimistic about this proposed service because of its proven market potential and because we are satisfied that we can provide the service at minimal cost in view of our operating ability and experience, established marketing and ticketing infrastructure, and existing contract with the operating railroad. Amtrak's Board of Directors has already authorized the Corporation to take steps to inaugurate this service.

High-Speed Trains

Congress has consistently expressed an interest in the development of high-speed rail passenger service in this country and has enacted legislation which has required Amtrak and the Department of Transportation to conduct a series of evaluative studies on specific rail corridors. These studies have shown that the prospective benefits of high-speed rail operations necessarily vary from corridor to corridor. In some corridors such high-speed operations may be sufficiently profitable to attract full private sector funding. In others, the relevant state or local authorities may be willing to finance the project and cover any losses. Where the public benfits of high-speed service seem substantial and where state, local, or private

financing is not available, there may be an argument for federal participation. We intend to be open to a variety of approaches to corridor development and welcome experiments in this area.

At the same time, it is important that any corridor development be coordinated. It would be unfortunate if the next decade were to see a number of uncoordinated corridor projects move forward -- with varying degrees of engineering and technological expertise and capitalization. This could prove extremely wasteful of scarce resources. It is not difficult to imagine, for instance, the disruption, expense and public inconvenience that would result if five separate corridor companies constructed individual lines into Chicago to five separate terminals, using incompatible technologies, with individual reservation systems and no provision for passenger connections from one corridor to another. When references are made to high-speed rail, it is often undefined, therefore, unclear what costs may come into play. Building a 200 mile-per-hour surface transportation system is far more costly than a 79 mile-per-hour conventional rail operation.

As the holder of the exclusive operating franchise on most of the routes that are likely to be considered for development over the next several years, Amtrak has a responsibility to provide this kind of coordination and to ensure that as such high-speed service is developed it is integrated into a strong, interdependent national system. While the method of financing, the technology employed, and even the operating entity may vary from corridor to corridor, we at Amtrak are committed to assuring that any development of high speed corridors is properly coordinated so as to provide efficient, integrated transportation, allowing passengers access to a common source of information, reservations and ticketing, and enabling efficient

passenger connections between corridors and between a corridor and an Amtrak service.

As a result of this interest, Amtrak assisted in creating the American High Speed Rail Corporation (AHSRC), a firm which plans to privately finance and construct a 160 mile-per-hour passenger train system in Southern California between Los Angeles and San Diego, utilizing technology now employed on Japan's "Shinkansen" bullet train. In 1981, Amtrak loaned the American High Speed Rail Corporation $750,000 at the market rate to cover start-up costs. Since that time, the AHSRC has secured $500 million of the estimated $2 billion needed to construct the system, from Japanese investors, and is now attempting to secure the remainder.

Amtrak has benefitted from sophisticated marketing information developed by the American High Speed Rail Corporation and fully expects the AHSRC to repay the loan when due in 1984. In addition, we have concluded a license agreement with the AHSRC that will enable Amtrak to share in the profits generated by this new venture. The license agreement will permit the AHSRC to operate passenger trains between Los Angeles and San Diego and provides for an annual base licensing fee to be paid to Amtrak, plus a percentage of the profits. The agreement also makes Amtrak a preferred shareholder in the AHSRC and insures that Amtrak is adequately represented on the AHSRC Board of Directors.

Criteria and Procedures

As you know, Mr. Chairman, the 1981 Amtrak legislation authorized Amtrak to submit to Congress an amendment to the Criteria and Procedures for Making Route and Service Decisions. Amtrak sent an amendment to Congress on February 7, 1983. The

draft amendment will take effect at the end of 60 calendar days of continuous session after its submission unless either the House or Senate adopts a resolution of disapproval. The amendment which we proposed on February 7, 1983, would provide a simpler and more clear-cut procedure for Amtrak to make route and service changes, to replace the extremely cumbersome existing process, without significant substantive change. I believe this amendment is fully consistent with the intent of the Amendments to the Rail Passenger Service Act in 1979 and 1981, which have supplanted much of the route and service decision process once followed by Amtrak.

Attachment 1

	($ Millions) Amtrak	Administration
Operating & Labor Protection	$652.0	$614.0
Capital	148.0	68.0
TOTAL	$800.0	$682.0

RECONCILIATION

Amtrak and the Administration are in agreement that under existing law, the Amtrak operating and labor protection need is $652.0. The Administration budget proposal assumes the following savings from proposed legislation:

403(b) Full Cost	$27.0
403(d) Repeal	9.0
Lump Sum Labor Protection	2.0
	$38.0

It is agreed that if this legislation is not enacted, the operating and labor protection appropriation would have to be increased from $614.0 to $652.0.

Amtrak and the Administration also agree that $68 million in additional capital funds for Fiscal Year 1984 would be adequate to fund Amtrak's capital program requirements, provided the following actions are approved by the Congress:

1) In Fiscal Year 1983 legislation, the Congress directed that the Atlantic City track reconstruction ($30 million) be funded from the existing NECIP program, and the West Side Connection be financed in the amount of $30 million from Amtrak's capital programs. Amtrak has funded the first $10 million for the West Side Connection in its Fiscal Year 1983 capital program, leaving $20 million to be provided to complete the program in Fiscal Year 1984. If these items are otherwise funded, the capital funding request for Amtrak can be reduced by $50 million to $98 million.

2) In its action on the Fiscal Year 1983 budget, the Congress earmarked Amtrak capital funds for the Shelbyville track reconstruction ($25.0 million) and Hyannisport track reconstruction ($5.0 million). If Amtrak is relieved from these earmarkings or other funding is provided, the capital request can be reduced by an additional $30 million to the total of $68 million as requested by the Administration.

In summary, Amtrak's capital request for Fiscal Year 1984 is $148 million, making a total budget request of $800 million. To the extent that the capital items are funded from other sources or Amtrak is relieved from earmarked projects for Fiscal Year 1983, Amtrak is prepared to reduce its capital request accordingly.

MAJOR COMMUTER CHALLENGES

Senator ANDREWS. As I understand it, the total of $800 million is your figure to make sure that everything now operating continues to operate.

Mr. CLAYTOR. Yes, sir, and assuming that we do spend all the earmarked capital funds for the purposes for which Congress has told us to set them aside.

Senator ANDREWS. That is right.

Mr. CLAYTOR. Yes, sir.

Senator ANDREWS. You mentioned the commuter challenges that Conrail and Amtrak of course face. The three major commuter authorities that took over Conrail's service in January—SEPTA, New Jersey Transit, and New York MTA—are all now out on strike.

Mr. CLAYTOR. Yes, sir.

Senator ANDREWS. Since Amtrak is accepting New Jersey's commuter tickets and some of Amtrak's employees are represented by the union striking New Jersey Transit, are you running a risk of some of these employees also walking out on Amtrak?

Mr. CLAYTOR. Yes, sir, we run a very serious risk. But let me explain that. That has just come to a head this morning.

Senator ANDREWS. Well, there is nothing like being timely.

Mr. CLAYTOR. That is right.

COMMUTER SERVICE STRIKE PROBLEMS

Here is the situation. We and the union are in agreement that Amtrak operations should not be interfered with, and that has been going along very well. But the New Jersey Transit authorities have been selling multiride tickets using management people to sell them, since their ticket agents are on strike, and those tickets are only usable on Amtrak trains so long as the strike is on.

The union has very violently protested against that, and I think there is a problem there. We have told New Jersey Transit that if they will stop selling those tickets until the strike is over, I think we can continue to honor the ones that are already outstanding and maintain our services. This morning they told us they would not do that; they were going to continue to sell the tickets regardless.

We have no choice, therefore, but to refuse to honor the tickets, and we are posting notices today that we will not honor New Jersey multi-

ride tickets on our regular trains. If we do not do that, I think the service in the entire Northeast corridor is going to be shut down.

Senator ANDREWS. And you are doing that, really, to be on the side of the commuter, the traveling public.

Mr. CLAYTOR. I am indeed, because if we are shut down there is nothing, regardless. We will still take people, but we will not honor New Jersey Transit tickets that are being sold for sole use on our trains by strikebreaking New Jersey employees. So that is the problem.

Senator ANDREWS. So the person who wants to use your service goes up and buys a normal Amtrak ticket.

Mr. CLAYTOR. That is right.

Senator ANDREWS. And that should avoid the cross-jurisdictional dispute problems?

Mr. CLAYTOR. Well, I am quite certain that we can maintain the service under those conditions. I did not want to do that. I thought it would be a better solution for New Jersey Transit to stop selling these tickets. That would still have presented us with something of a problem, but I believe we could have worked that out with the unions. But as long as they are still selling these tickets and they are only good on our trains, I think we face a shutdown and we are going to avoid that.

Senator ANDREWS. Well, typically, you did something about it. You did not hide your head in the sand and think the problem would go away.

Mr. CLAYTOR. No, sir. No, sir. I did not find out about this problem, that it was as serious as this, until yesterday evening. And we told New Jersey that if they would stop selling the tickets, we would make every effort to get by. And this morning just as I left for the hearing they told us, no, they were not going to do that. So we notified them that we will be putting up notices today that, beginning effective at midnight tonight, we will no longer honor multiride commuter tickets.

Senator ANDREWS. If we could get other people to work that effectively and that rapidly, we would do a whale of a lot better in this Government of ours.

There is nothing that Congress needs to do or should do in this situation. It looks like you have it pretty well handled, do you not?

Mr. CLAYTOR. So far as Amtrak is concerned, I think we will be all right; yes, sir. I certainly hope so.

AMTRAK LABOR/MANAGEMENT AGREEMENT

Senator ANDREWS. Now, I understand that Amtrak and its labor representatives reached agreement on a contract late last summer that significantly changed work rules. How much savings have you realized from this new agreement?

Mr. CLAYTOR. I think I have that figure here—a savings of $13 million this year and $18 million next year, both of which have been incorporated in our budget request. The year after that it should be still more, because the full effect of this will be phased in over a 3-year period, and we will not get the full benefit until after the third year. But the benefits are already substantial.

Senator ANDREWS. Well, if you can successfully negotiate with these employees and your takeover of crews on the Northeast corridor has been as smooth as it has, it seems logical that you could improve service and further control costs by taking over train and engine crews systemwide. Do you have any plans for doing that?

Mr. CLAYTOR. Yes, sir. But that is not quite as simple as it sounds. You see, on the corridor we own and operate the railroad, and all our other trains are operated by other railroads with their employees under contract. In order to take over train and engine employees on our trains on other railroads, we have to reach agreement with the railroads themselves, and we are looking into that.

In addition, these are long-distance trains, which, in many cases, we run only one or two trains over the entire route each day, whereas in the Northeast corridor our trains are relatively short distance and they are operated with very high density. The conditions are different.

I think we are going to try to do this, but we will have to do it on an area-by-area basis. It cannot be done nationwide at one time. The conditions under which each train operates have to be taken into consideration.

We are going to move on that toward the end of this year or early next year. I am not sure where we start first, but probably in the West, the Far West.

Senator ANDREWS. Does this type of change have the support of labor?

Mr. CLAYTOR. Labor was willing to go along with our change, although it resulted in a considerable number of people working 5 days a week for the same pay for which they had been working 2 days a week before. And they were willing to do that because I think labor felt that in the long run this was coming and it was the best thing to do.

CONTRACT RESULTS

I believe that, in the end, this contract is going to be good for both labor and management, and my experience in labor relations is that unless the contract is in the end good for both sides it is not going to be a success. I think it will be good for both sides, because it will enable us to maintain and increase our Northeast corridor service and that means more jobs, and I think labor recognizes that.

Senator ANDREWS. And it might allow you to maintain and increase service across the country.

Mr. CLAYTOR. I am hopeful that that is so. It is not quite as direct a relationship as it is in the Northeast corridor because of the volume problems.

Senator ANDREWS. That is right, there are not the volume of travelers for the long runs.

Mr. CLAYTOR. That is right; yes, sir.

Senator ANDREWS. What would be the likely impacts on your operations and funding needs if you did directly employ all operating crews?

Mr. CLAYTOR. I just cannot tell, sir, because we would necessarily have different rules and arrangements in each place. The savings would

clearly not be of the same order of magnitude as we have been able to achieve in the Northeast corridor because of the volume problem.

AMTRAK LOAN TO AMERICAN HIGH SPEED RAIL CORPORATION

Senator ANDREWS. On another matter, Amtrak loaned $750,000 to the American High Speed Rail Corporation over 1 year ago.

Mr. CLAYTOR. Yes, sir.

Senator ANDREWS. Interest will be due to Amtrak on October 1 of this year. What is the current status of this loan and how much are you going to receive in October?

Mr. CLAYTOR. Well, I assume we are going to receive full payment of the interest, and we expect to have the loan repaid when it is due on January 1, 1984.

Senator ANDREWS. OK. What are the projected impacts on Amtrak ridership, expenses, and revenues that would result once the American High Speed Rail bullet train is in operation between San Diego and Los Angeles?

Mr. CLAYTOR. As I recall the figures, we have estimated that we would lose, if they start on schedule in 1987 or 1988, about $8 million a year, and our contract with them calls for them to pay us a license fee of that amount, escalated in later years by inflation, to make that up. We have in addition a contract with them that calls for us to share in any profits they make. But this $8 million is an expense to them.

HIGH-SPEED RAIL TECHNOLOGY

Senator ANDREWS. Well, with your railroad expertise, what is your general view on bullet trains or other high-speed rail technologies, including the Mag Lev one that has been recommended for trial in two or three areas?

Mr. CLAYTOR. Well, I think they are technically exciting. I have not had any experience with these, any more than anyone else in this country has.

The principal problem that I see is the enormous capital cost of the thing. Each of these, even the Japanese-type bullet train, basically has to have a dedicated, newly constructed, specially constructed right-of-way. And the Mag Lev, of course, has to have a whole new track system, too, usually an elevated or subterranean one.

But I think the experiment is thoroughly worth following closely; as I have indicated, with American High Speed Rail, we have a license agreement, which I would hope would be a model that we would follow with any other high-speed proposal that is proposed elsewhere in the country, in which we might participate. We do not try to manage it, we do not supervise it, but we participate. We receive license fees.

We are prepared to contract with them on a profitable basis to Amtrak to do any of the things they want us to do, such as ticketing, line construction, or other things like that. And we are prepared to go forward with any other system, as we have with American High Speed Rail. At the moment that is the only one that has any financing and is off the ground. We have indicated to others we would be glad to have

preliminary discussions, but we are not prepared to enter into any agreement until they have at least the necessary basic financing arrangements made and are ready to get a real proposal off the ground.

PROPOSED LOCATIONS FOR HIGH-SPEED RAIL

Senator ANDREWS. I visited with the mayor of Las Vegas and we have been approached by Las Vegas and Los Angeles on that Mag Lev train. I understand they have done some detailed studies to justify the cost of it based on the ridership that they anticipate, but they are in fact willing to get the financing in that area and not Government financing.

Mr. CLAYTOR. Right.

Senator ANDREWS. And all they are looking for, as I understand, is some type of a tax incentive to get that operation moving. If we move there—and I understand there is also a possibility of a high-speed rail corridor being developed between Tampa and Miami, going through Orlando and Disney World, with the high concentrations of visitors there.

If we develop one or two of these areas, would it make sense, would Amtrak be interested in management contracts? Is that something that you could offer to these local communities? Or is it something that you would just as soon stay away from?

Mr. CLAYTOR. I would want to stay away from it if we were to get into the capital or other financing of the operation. We would be glad to enter into contracts for the construction or for operation. But my contract would be basically on a cost-plus basis.

I am not anxious for Amtrak to get into this unless we can do so and recover all of our costs and make a modest profit.

Senator ANDREWS. But let us say that a group of developers in State A or State B, in this case State C or State F, decided that they were interested and wanted to get as much input as they possibly could from people that have the information on moving passengers and what is going down the line in passenger moving. Your response to my earlier question would lead me to believe that you would delegate individuals in your shop and you would be glad to give whatever information or suggestions or ideas you might in trying to help them make the right decisions.

Mr. CLAYTOR. We would be glad to do that. Basically, the first step has almost got to be a detailed marketing study. We could not do the full marketing study for them. We would make available for them information that we have that might be helpful.

But they need to go out, as American High Speed Rail did, and get a marketing consultant firm to do a detailed marketing study of the route. I think that is essential to persuading anybody to put their money in it, and that is the first step.

HIGH-SPEED RAIL FINANCING

The next step would be to try to find a financing means, and if they have the money and the marketing study which indicates profitability, they can go. At that stage of the game, we would be willing to discuss

contracting for whatever they wanted us to do that we have the capability of doing. One would be operation, one would be construction.

Senator ANDREWS. Given your legal background and your railroad experience, Mr. Claytor, if you were sitting as a member of this subcommittee would you be inclined to encourage the construction of such a high-speed rail application in this country in one or two locations to get the practical knowledge of it, or do you think it is too much Alice in Wonderland at this point?

Mr. CLAYTOR. No; I do not think it is too much Alice in Wonderland. But, again, I would urge that the first step would be allocation of enough seed money to do the marketing study, and then whether I would say go ahead with that would have to depend on the marketing study. That is your first step.

RIDERSHIP FOR HIGH-SPEED RAIL

Until you show that you have got a market for this service, just showing that there are a lot of people in a couple of places and a lot of people are now traveling between those places does not do the job. One of the difficulties is that Americans are still wedded to their automobiles, gasoline prices up or gasoline prices down. And for many, many travel distances, the problem of getting them out of the car and into something else is one that needs to be studied with surveys and all kinds of things that only a professional organization that has experience in this field can do. And I would want that done first for any particular route.

Senator ANDREWS. But given your experience in the corridor between Washington and New York, and again in the corridor between New York and Boston, which is at that specific distance that the tradeoff between driving a car and/or taking some mass transit means of transportation is a viable option. Your experience in increased ridership would indicate that for some reason or another, for a number of reasons probably, the American public is, in fact, abandoning the automobile to climb on your trains.

Mr. CLAYTOR. Oh, yes. Well, Mr. Chairman, again, again it is a matter of place. I do not think there is any question but that an ultra-high-speed French-type, let us say, train service from New York to Washington in, let us say, 1 hour and 30 minutes, would be loaded with people. The only question is the cost of construction of that is so great that even if you assume that you had an enormous capacity, can you still get a return on the investment.

There is no doubt about the market in certain places, places like New York, Philadelphia, Boston. Driving is unsatisfactory, primarily because you cannot get rid of your car when you get there. When you get out in the country you have fewer problems connected with driving, which is why those markets need to be studied very carefully.

But the problem then becomes one of cost of construction versus analysis of maximum revenue assuming you are going to carry the people, and can you get a return on the investment, because the cost of construction, for example, between Washington and New York, I have

no idea what it would be, but it would be measured in tens of billions without doubt. And what you would be doing would be spending that money to reduce the traveltime from our traveltime of basically 2 hours and 45 minutes to say 1 hour and 30 minutes, and that is the kind of tradeoff one has to decide on and one has to perform an analysis to determine whether or not we can get a return on that investment.

NATIONAL PASSENGER SYSTEM FUNDING

Senator ANDREWS. Another subject. We see that Amtrak has requested $649 million to fund the operation of the national passenger system in fiscal year 1984. FRA has requested $613 million be appropriated to Amtrak for the same purpose.

Mr. CLAYTOR. Yes.

Senator ANDREWS. Just what causes the $36 million difference between these requests?

Mr. CLAYTOR. It is the savings resulting from three proposed changes in the law that the administration requests: requiring all 403(b) trains to be fully funded on a long-term avoidable cost basis and on capital; essentially the same thing for the 403(d), the so-called sunset commuter trains; and finally, a change in labor protection provisions that would save another $2 million.

We have $27 million on the 403(b), $9 million on 403(d), and $2 million on labor protection, of roughly $36 million to $38 million. That is the difference.

Senator ANDREWS. Do both you and your colleague sitting next to you agree on the amounts that could be saved?

Mr. CLAYTOR. Approximately, yes. The 403(b) might not achieve that much savings in the first year because of labor protection costs that might be involved, but that in turn would be held down by the proposed labor protection amendments. So it is close. I would not argue. We might be several million dollars off one way or the other.

Senator ANDREWS. Mr. Blanchette is not frowning or anything like that, so I assume that he agrees.

Last year Amtrak had an operating carryover of $75 million that was partly a result of the requirement that you have a 50-percent ratio of revenues to costs. Exactly what creates this surplus? How much operating saving is related to each of these items?

Mr. CLAYTOR. Well, we achieved operating savings, and many of them were due to the fact that business was down and we had less volume and less volume requires less cost. That is not a situation I particularly like. It has been that way last year and the first half of this fiscal year.

I am delighted to say that right now business has turned up very drastically, as a result of two factors. One is the improvement in the economy. Even though the economic improvement has not been substantial yet, people perceive it as improving and that is causing travel to start again.

The other one is our reduced regional All Aboard America fares that I think are attracting a great deal of attention. So I believe we are going

to have substantially increased ridership for the rest of this year and I hope for 1984, and we are planning on it that way.

OPERATING SURPLUS

Senator ANDREWS. Do you project any operating surplus in fiscal year 1983?

Mr. CLAYTOR. Yes; in addition to the $30 million I have already mentioned that we will have if we do not have to spend this money on Shelbyville and the Cape Cod extensions—that will automatically go into capital that will be credited against next year. I think we should have, on the basis of experience to date, and even if business picks up in the latter part of this year, around $24 million to $26 million of savings under the amount scheduled for this year of $650 million, I guess it is.

But what I have planned to do is to allocate that savings this year to Union Station redevelopment, rather than to carry it over. Last year you may recall, Mr. Chairman, one House had already passed an appropriations bill for Amtrak of $735 million, and the other one was at $780 million. And at the time of conference we were able to definitively show what our carryover would be, and I went to the conference people and said, I suggest you cut our appropriation back to $700 million and take this carryover.

I would like to do that, but this year I want to use any such carryover to finance Union Station in Washington.

UNION STATION REDEVELOPMENT

Senator ANDREWS. Well, you mentioned Union Station. On March 2 you announced, along with the Secretary of Transportation, plans for redevelopment of Union Station using $70 million of existing Amtrak and DOT funds. What are the specific sources for this $70 million? Did we miss something?

Mr. CLAYTOR. No, no. We have $33 million that was set aside in 1980, from our fisal year 1981 appropriations, as any prudent businessman would do, to pay our interest on funds borrowed from the Federal Financing Bank. That interest was deferred by the 1981 authorizing legislation. We have not continued to add to it, but we have left that money there, since the obligation remained.

It is now I think fairly clear that we will not have to pay that interest at all, so those funds are available to be allocated to other capital purposes, and I have determined to allocate that to the development of Union Station. That is the first $33 million.

That would leave $37 million more to make up the $70 million. If we get say $26 million—and this is an estimate, but I think we are in the ballpark—that would not be required for expenses in fiscal year 1983, that money would automatically be available for capital and we would apply that to the $33 million.

That still leaves us a gap of $11 million. There are several ways in which we can produce the $11 million, which will not be required immediately. This is a multiyear program.

The parking garage at Union Station is under construction now. It is being finished now. The contract has been let and the work is going on. That parking garage will produce a very substantial stream of revenue from the roughly 1,300 parking places that it will have. We could use that stream of revenue, once the garage is finished, to finance, to borrow money in effect and finance another $10 million or $11 million, which would make up the difference.

We also, I am hopeful, are going to do better and have some more surplus, some more carryover, if we can get enough additional riders. We may have more there.

Finally, we have a modest amount of working capital that a company our size always has to have, and if we are very close to the $70 million we can dip into that. So that is where the funds would come from.

Senator ANDREWS. You can imagine the interest that was generated around here when some of my colleagues came up to me and said, look, you have been fighting for your section of the overall appropriations bill, saying you cannot squeeze any more out of it, and all of a sudden there is 70 million dollars' worth of slop in there that it looked like we overlooked.

Mr. CLAYTOR. Well, no. It is being freed up. The main part of it is being freed up by the proposal, which I believe everybody is in agreement with, that we should not repay the debt or pay interest on the loans to the Federal Financing Bank, and we personally hope that that will be converted to preferred stock, which I think would be far and away the best permanent solution.

Senator ANDREWS. Not only that, but the Washington Post wrote a glowing editorial about Union Station and did not use the word "pork" once. [Laughter.]

PROJECTS INCLUDED IN REDEVELOPMENT

The plan you have put together for Union Station discusses three projects as part of the overall development project. These include, as you mentioned, finishing the parking garage, renovation, and commercial development of the station building, development of a new office building on an adjacent site which is now being used as a parking lot.

And I understand OMB has looked at your plan and said that they do not want DOT to get involved in building office buildings. Do you still plan on building the new office building?

Mr. CLAYTOR. Not as part of the financing of this project, although I think it makes eminently good sense, and I would hope that down the road that would happen. But we are prepared to go forward with this without that if we have to.

Senator ANDREWS. And looking down the line at the redevelopment of that overall area, what about the CSX site that is right next to the station? Have you discussed redevelopment of that site with the CSX management?

Mr. CLAYTOR. Yes.

Senator ANDREWS. Could they put up a hotel or some such thing there? What is the complete package going to look like?

Mr. CLAYTOR. Mr. Blanchette has been working on this aspect much more than I have, and I would like to refer the question to him if I may, Mr. Chairman.

Senator ANDREWS. Sure.

Mr. BLANCHETTE. The CSX acquired this parcel, as you know, Mr. Chairman, in a swap with Amtrak some years ago. The viability of that parcel depends, obviously, upon the redevelopment of the Union Station. That parcel is worthless unless the Union Station is developed.

We have discussed that parcel with not only our consultants, Gladstone Associates, but also with the CSX. And unlike the Architect of the Capitol site, we found that there was no necessary value added to this project by acquiring the site. In other words, the site has a value which we would have to pay for if we wanted to acquire it and it would be an equal tradeoff. So it brought nothing to this development program.

I would assume that if we go forward, as we shall, with the development of the Union Station for commercial, retail as well as passenger use, that the CSX will work with us to develop their site in a compatible manner. In fact, a joint venture is not beyond peradventure of possibility, nor is going in with us in some codevelopment mode.

We have not reached any decision on that, but we are working harmoniously with them. And of course, CSX is also a coowner of the fee underneath the Union Station, which is a different matter. So we anticipate a good relationship with them, but we do not need to acquire their site to get the Union Station development going.

AMTRAK AUDIT

Senator ANDREWS. The fiscal year 1983 appropriations Senate report directed Amtrak to have an independent audit done on each diversification initiative, in order to insure that related financing is from non-Federal sources and that accounts are fully segregated. What is the status of these audits?

Mr. CLAYTOR. Mr. Chairman, the GAO is in the process of doing that, but, of course, we have outside auditors doing this work themselves which so far have produced reports that indicate that all work on which we bid for our shops is being done without any appropriated funds and without the use of any Government sources.

Now, I would like to object, if I may, or disagree with the use of the word "diversification." I consider diversification to be what a conglomerate does. We are not going into the pantyhose business. We are doing what every sensible railroad does, which is to maximize the return on its necessary railroad-owned assets.

When I was at Southern we did exactly the same thing with all of our assets. This is, you have real estate, you develop it and try to get a return on it. It is real estate that you need for the railroad, but it is associated with real estate that can achieve a return.

With our shops, our objective is to maintain a steady labor force. Amtrak itself necessarily, as any railroad does, has peaks and valleys in the work that it has to do at its basic car and locomotive shops. In or-

der to avoid laying people off, which is very expensive because then they get other jobs and you have to train new people, we try to keep a stable labor force. By doing that, what we want to do is to keep the shops busy with contract work on which we bid during periods when we do not have our own work there.

All of our bidding is competitive. Arthur Andersen, our accountants, were requested first to draw up costs which had to be covered in any bid we made, plus a profit. I have also instructed the accountants that after every contract has been completed they are to audit the actual results of the contract in order to make certain that, in fact, all of our costs were covered and we made a profit.

Now, the fact that this is being pretty honestly done is indicated by the way the bids are going. We have won one or two bids, but the last two groups of cars we bid on we lost. We were outbid by some other companies. As every losing bidder thinks, I believe they underbid their costs because they want and need the business and they are prepared to do it without a profit. We are not prepared to do it without a profit and so we have lost the bid on the last two.

I think it is extremely honestly done, and it is the only way you can run a railroad and make sense.

CAPITAL EXPENDITURE PROJECTIONS

Senator ANDREWS. In your capital expenditure projections, what you must mean is that these projects would not in your normal planning process make your priority list. What are, in fact, Amtrak's priorities for capital projects and how are these priorities decided? Does FRA generally agree with your priorities?

Mr. CLAYTOR. I think we work very closely with FRA. We have two different areas here, of course. We have our own capital program and the Northeast corridor improvement capital program that are gradually being brought closer and closer together.

But in our budget justification we have listed all of the $98 million of specific capital projects that we request for 1984 in detail. These are determined by our management group in looking over all the things that are needed to be done. We then select the ones that we think are the highest priorities and go for them.

Safety is probably the most important thing that we do. Safety is my No. 1 objective here.

AMTRAK PRIORITIES

Senator ANDREWS. Could you provide for the record that list of priorities and the ones that you indicate are congressionally directed?

Mr. CLAYTOR. Oh, the earmarked funds. Those are items that Congress has told us to spend money on, even though they were not in our priority list.

Senator ANDREWS. That is right, but could you list your priorities and then list also those that you consider are congressionally directed, so we could have the whole picture?

Mr. CLAYTOR. Yes; I certainly can.
Senator ANDREWS. If you could do that for the record.
Mr. CLAYTOR Yes; I can easily do that.
[The information follows:]

SUMMARY OF FISCAL YEAR 1984 CAPITAL PLAN

The proposed fiscal year 1984 capital plan consists of $148 million in funded projects, plus $5 million in revenue diversification initiatives to be funded from non-appropriated revenues, for a total capital program of $153 million. These are the most urgent projects selected from among requirements which exceed $250 million.

The major programs of the capital plan are:

Base capital plan.—Provides funding for capital replacements and improvements at a minimum level close to that required to keep pace with obsolescence, as measured by depreciation charges.

Program:	*Millions*
Rolling stock	$36
Maintenance facilities	16
Station/other services	10
Other facilities	10
Maintenance of way	31
Less: Diversification revenues	(5)
Total: Base funded programs	98

Other major programs.—Provides funding for congressionally directed projects, including replacement from funds redirected from the Northeast corridor improvement program (NECIP) for the Philadelphia-Atlantic City service.

Program:	*Millions*
NECIP redirection	$30
Westside connection	20
Total, other	50
Total funded programs	148

403 (b) AND (d) SERVICE

Senator ANDREWS. The administration is proposing the States pick up 100 percent of the long-term avoidable losses and capital costs of running 403 (b) and (d) service. Now, this is what is reputed to save that $36 million in Amtrak's appropriations. But many of the States cannot afford to fund this service without Federal help. They are losing bus service at the same time.

How much of the 403 (b) and (d) service presently operated would be discontinued under the administration's proposal?

Mr. CLAYTOR. Well, Mr. Chairman, I have no real basis for giving a specific answer to that. But from talking to the ones we have talked to, I think that probably most of them would be discontinued.

Senator ANDREWS. Would you provide for the record what that administration proposal might specifically end up being?

Mr. CLAYTOR. Well, I can say right now, I do not think we have any data on which to do this, because this is a judgment factor. One would have to go and ask each State what it would do. I would suspect that each State would say they would discontinue it. Whether that, in fact, would happen is something that would have to await the event.

But the increase is so very substantial and at a single shot that my own view is that probably most of them would discontinue. I have no data on which I can provide a more specific answer.

Senator ANDREWS. Fine.

ELIMINATION OF THE CARDINAL TRAIN

Before I turn the questioning over to my colleague from West Virginia, who has been patiently waiting, let me ask one question of Mr. Blanchette. When Secretary Dole appeared before us, she explained that your request for Amtrak assumed elimination of the Cardinal. When I questioned Mr. Claytor a moment ago he said that if we gave the amount that he mentioned, that it would continue running all of the lines and trains that we are now operating.

The question of course to you, Mr. Blanchette: Are you still assuming elimination of the Cardinal, and if not, how do you reconcile this new information with the original fiscal year 1984 request?

Mr. BLANCHETTE. I will let Mr. Till handle that.

Senator ANDREWS. Sure.

Mr. TILL. Sir, I believe that it is correct to state that our budget proposal does not assume the elimination of the Cardinal. The specific items of difference which Mr. Claytor mentioned in his earlier testimony are the only items upon which we disagree.

Senator ANDREWS. Well, given what the Secretary of Transportation said when she came up, I wanted to make that crystal-clear because earlier, before Senator Byrd, our esteemed colleague, came in, Mr. Claytor said that he intended to keep running all of the trains. I wanted to make sure that that was still the case.

Incidentally, we have been lobbied. I watched my colleague and good friend performing on "Country Music" last night. He did well. And I saw him again on the "Today" show this morning. That was a great red vest you had on when you were performing. I have been lobbied, Bob, this morning, too. They are running this Amtrak so darn well, you know, that now everybody wants to get on board, and they have got an innovative line of chocolate chip cookies that they call Choo-Choo Cookies. [Laughter.]

I will show you the picture. It looks kind of like, almost like "Country Music" that you were on. I was looking at that this morning.

How do you like that, with a train? Doesn't that look like right out of West Virginia and all that? [Laughter.]

They say they are going to put chocolate chip cookies in those bags and put a little history of railroading on it. And the best part of being lobbied that way is, not only do we pass the information on, but we got the cookies. [Laughter.]

So if my colleagues would like, this is almost like "Country Music" stuff. Have a cookie, and we might even share a cookie with Mr. Claytor and Mr. Blanchette, because they have got to make the ultimate choice.

Mr. CLAYTOR. Yes, sir.

Senator ANDREWS. But right now I yield to my good friend and colleague, the fiddling man from West Virginia, Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Claytor, I think my distinguished chairman here has asked the questions that I probably would have asked. I am reassured that this is not—that the Cardinal is not among those trains that are expected to be eliminated. It is doing much better in its ridership, I believe. Is that true?

I say, the Cardinal is doing pretty well in increasing its ridership.

Mr. CLAYTOR. Yes, sir. The Cardinal has been meeting its loss per passenger mile criterion right along. In 1982 it almost met the passenger miles per train mile criterion of 150. It was at 140. It has dropped off some in 1983—not because of the Cardinal's doing poorly but because our ridership has been down as a result of people not traveling, plus the airlines cut fares.

We project in 1983, for the full year 1983, that it will be about the same as it was in 1982, and hopefully will be better than that thereafter.

BLUE RIDGE COMMUTER TRAINS

Senator BYRD. All right. I would like to turn our attention to the Blue Ridge just for a moment. I have become concerned by recent reports that Amtrak is considering raising the fares on the Blue Ridge commuter trains by up to 25 percent. Are these reports accurate?

Mr. CLAYTOR. No; Amtrak is reconsidering all of our fares on all of our trains, including all of our commuter trains, and if I did not do that I would not be doing my job.

We are not being adequately compensated on any of our commuter trains. For example, we get from the State of Maryland's multiride tickets an average of $2.87 for everybody who rides that train. That includes people who come all the way from Brunswick or Martinsburg, as well as those from short distances. You compare that with the proposed Metro fare to Shady Grove of $3.05.

I feel that we should be given more money for that operation, as well as for all of our other commuter operations. But what I would like to do is to have Congress give me a little bit more bargaining power in dealing with the States. We are directed to operate these sunset commuter trains, and when I go to the States and say, we should have a larger share to meet our costs, they say, well, you have to run the train anyway and we do not think we will give it to you.

And I would clearly like to have more bargaining power in trying to work this out.

Senator ANDREWS. Maybe that is when you go and you do what is known politically as expressing the logic of the situation. You point out that, yes, you have to maintain the train, but maintaining the train might be service once every 3 days.

Mr. CLAYTOR. Yes, yes, I know.

Senator ANDREWS. If they want it daily or often, then——

Mr. CLAYTOR. I know. I do not like to play hardball, but I may have to in some cases. But, really, what I feel is appropriate is that we ought

to operate that train like we operate the Baltimore commuter service for the State of Maryland. That is a superb commuter service we are running under contract with the State of Maryland, and we are paid all of our costs and we are giving them first-rate service.

None of our other commuter trains are in that category, and I think they ought to be. That is really all. But I have to look at this, and I have no specific increase in mind. I am exploring everything and I certainly will continue to do that.

Senator BYRD. How much was the Amtrak subsidy for the Blue Ridge in fiscal year 1982?

Mr. CLAYTOR. Its loss was 1.9 cents per passenger-mile. I think you have the total cost. Just a second.

[Pause.]

Mr. CLAYTOR [continuing]. I do not have it. I will certainly get it for the record, Senator.

Senator BYRD. Very well.

Mr. CLAYTOR. It is kind of hard to find some of these figures in a hurry.

Senator BYRD. All right. I think it would be something like around $327,000, but if you would supply that for the record.

Mr. CLAYTOR. Yes, I will supply it.

[CLERK'S NOTE.—The requested information appears on page 50.]

Senator BYRD. Was there any other short-distance train among the 29 trains that Amtrak operates that required a smaller subsidy than the Blue Ridge?

Mr. CLAYTOR. No; but they all require a subsidy. and my objective that the Congress has directed me to do is to cover all of our short-term avoidable costs with all of our trains, and that is what I am trying to do and that is what I have got to do.

Senator BYRD. I understand that there is one other train with a smaller subsidy. I am told that the passenger-per-train-mile average for the Blue Ridge in fiscal year 1982 was 257.

Mr. CLAYTOR. That is correct. I have that figure.

Senator BYRD. And that I think is the highest of any short distance in the Amtrak system.

Mr. CLAYTOR. I am not sure that is correct, but I will be glad to check it. I think we have some other trains in the Northeast that carry more people.

But may I just make a comment about that whole concept? That is the one, that passenger-miles per train-mile is the one criterion the Cardinal does not meet. Other trains meet it. I think that is not a good criterion to use for trains either to put them on or take them off. I think the key is the loss per passenger-mile.

I can increase the PM per TM on any train if I wanted to cut the fare in half. The PM per TM would go way up, the loss per passenger-mile would go way up. The loss per passenger-mile is a combination of the fare and the number of people, and it is a management problem to try to make that combination of fare and number of people produce the maximum revenue. And that is reflected in the loss per passenger-mile.

I would like to see the PM per TM criterion as an analytical piece of information that ought to be used for all trains, but it should not be a criterion of whether you run or don't run a train.

Senator BYRD. What was the overall PM-per-TM average for short-distance trains, and what was the second highest average among the 20 short-haul trains?

Mr. CLAYTOR. For all short-distance trains it was 88.

Senator BYRD. And the second best average was?

Mr. CLAYTOR. The second best was 145.

Senator BYRD. So that the overall ridership figures for the Blue Ridge are quite impressive, are they not?

Mr. CLAYTOR. The ridership is good, that is right. And I could improve the ridership even more if I cut the fares even more. But I think the fares are too low now and that is one reason the ridership may be too high.

Senator BYRD. Well, I——

FARE INCREASE FOR SHORT-HAUL LINES

Mr. CLAYTOR. I do have the loss figure. It was $327,000. That is the short-term avoidable loss. That is not the total loss. That is the short-term avoidable.

Senator BYRD. Well, Mr. Chairman, I hope that the chairman and the ranking Democratic member on this subcommittee would agree that it is unfair for Amtrak to dramatically raise the fare on the Blue Ridge or any other short-haul train by 25 percent at any one time. And I would further hope that we as a subcommittee would direct Amtrak, for this year at least, not to raise fares on these trains by any more than the Consumer Price Index increase.

Mr. CLAYTOR. Well, I have no intention of raising any fare 25 percent in one shot. But I think that to put that kind of a limit would be to build in permanent losses in our service that I am trying to eliminate, and I certainly hope the committee would not do that. But I certainly am not going to make any increase such as 25 percent.

We have considered everything. We have considered everything from more than that to less than that or none, and we will continue to do that. But I can say right now, we are not going to raise fares 25 percent.

Senator BYRD. What can you say would be the increase?

Mr. CLAYTOR. I do not know, but it will be significantly less. I want to get enough additional revenue to change our short-term avoidable loss to zero, and that is the object on every train we run, and I am doing what I can with each to do it.

But particularly with the commuter trains that ought to be the case. Amtrak is not in the commuter business. We were not intended to be in the commuter business.

Senator BYRD. I would also hope, Mr. Chairman, that we could direct that Amtrak advise this committee in advance of any such proposed fare increases, the projected ridership and revenue impacts of those proposed fare increases, and subsequently report back to this committee 6 months later on the actual ridership and revenue impact of such fare increases.

I believe that this would permit a reasonable approach that would afford the opportunity for the committee to judge for itself the necessary subsidy level for these trains. So I ask that as part of this hearing record Amtrak be required to submit such reports to the committee in the future.

Senator ANDREWS. Well, I certainly would expect Amtrak to do that. In fact we will be more than happy, I can assure my colleague, to direct Amtrak to do that.

Also, I could remind my colleagues, as well as the witnesses, that maintaining the Cardinal of course is a matter of law, put there by the great efforts and the great esteem that our colleague from West Virginia is held in by his fellow Members of the Senate. So that train will keep on running, and I think we have good news. Mr. Claytor said he had no intention of increasing those fares by 25 percent.

Certainly, while we are trying to find out just what increased ridership we can get in a pattern of ridership, fares closer to the CPI might well be in order, and I think that is the direction that we will try to move in for the Blue Ridge.

Senator BYRD. I thank you, Mr. Chairman. I have no further questions.

Senator ANDREWS. Senator Chiles?

CONTINUATION OF 403(b) TRAINS

Senator CHILES. Mr. Claytor, the chairman has already started commenting and questioning you on the 403(b) trains. Florida happens to have one of those, a relative newcomer to the service. I understand there are some 15 others. The States would have to provide an additional $27 million under your plan and Florida would have to provide another $1,239,000 or a total of $2,265,000 to continue the train.

I would be interested in hearing from you and Mr. Blanchette on the consultations that you entered into with the States in order to determine whether or not you could continue. I think you said that your feeling is that the States would not continue if they had to pay all the money.

Mr. CLAYTOR. That is a judgment, that is right. I have no basis for concluding that from the standpoint of data, and we have not had any extensive discussion with the various States about it. We have had some protests from New York that even the increases already ordered by Congress were causing them difficulty, and that is sort of the basis for my conclusion.

Senator CHILES. Well, I wonder, just to determine whether it is a timing problem, whether you considered the fact that most of the State legislatures are going to be out of session in early June. Therefore, they would be unable to make an additional appropriation if we were to enact the provisions, because our appropriations under any event would be coming out long after they are out of session.

Mr. CLAYTOR. Well, I am not proposing increases, Senator Chiles. Actually, let me say that, as I have said in my prepared testimony, I think it is appropriate for the States to pay a larger share of the cost of these trains than they now do.

But I do not think I would favor doing this in large increments or in drastic steps. And any change that is made in my opinion should not be effective until 1985, in order to give the legislatures the chance to react to it, as we did the last change, which was made last year, not effective until 1984.

So that in my own view, I would like to see the current 45 percent, let us say, moved up to 50 percent, and the second year the 65 percent moved to 70 percent. That I think is reasonable and is the right way to go. I think most States would stay with the program on that type of increase and I think it would be helpful. But that is just a judgment factor.

In any event, I do think that it is not practical to make drastic changes in the 403(b) program for fiscal year 1984.

FRA'S POSITION ON FUNDING STATE AND LOCAL SERVICE

Senator CHILES. I would like to hear from Mr. Blanchette on that.

Mr. BLANCHETTE. I will ask Mr. Till to answer that.

Mr. TILL. Well, certainly, Senator Chiles, the administration's position has been one that it has taken for some time with regard to what we regard as essentially State and local services that should be funded by State and local sources. In the survey of the States that we performed in putting together this provision, obviously there were not many States that indicated any great interest in providing more funds. Exactly what they would or would not do in the event this provision were enacted is not clear and I think would not be clear until it were enacted.

We have had other experiences with similar kinds of changes where States have seemed to find sources of money that they could not find at the outset of negotiations or prior to the enactment of such a provision. I would say, though, that in order to be as fair as possible, if the committee were to decide to recommend the enactment of this provision, giving the State legislatures a chance to come up with the additional money might not be the worst thing from our standpoint.

But we do think it is important that, gradually or eventually, States and localities be required to provide the funding for the services that serve their particular people.

FLORIDA AUTO-TRAIN SERVICE RESUMPTION

Senator CHILES. Mr. Claytor, as you know, last month you announced the beginning of the public comment period for resumption of the train service between Lorton, Va., and Stanford, Fla., Auto-Train service, and your announcement came almost 2 years after the Auto-Train Corp. stopped its service and declared bankruptcy.

I notice in the material that you have supplied to the committee that you expect to make a profit on this operation each year, and a few months after the second year of operation you'll have paid your capital costs and be making a profit. I am very interested in that and I hope that is going to be true.

First, I am delighted that service is going to be put on again. I think that there were a lot of people that did utilize that service. I think it is

a very good concept. It is an energy saver and a fuel saver, and it brings people to Florida with their cars, which is helpful to a lot of people who would like to have their cars down there.

How can you be as optimistic as you are about expecting to make money?

AUTO-TRAIN ESTIMATED PROFITS

Mr. CLAYTOR. Frankly, I think we have been fairly conservative in our estimates. We have estimated a profit per passenger-mile of 2 cents, estimated passengers will be 140,000. We had a great deal of data to work on here because we had available to us the old Auto-Train Co.'s statistics.

I was personally very, very familiar with the operation. I used it myself half a dozen times. I was acquainted with the management and I thought they were making some serious mistakes, primarily in squandering all their rather inadequate capital on a lot of other things besides the Virginia to central Florida Auto-Train, other operations which I did not think had a chance to make it and which did not make it.

Amtrak, you see, has other advantages. We are in the railroad business. There will be no incremental cost for reservations and ticketing. It can be handled without adding a person. We have an existing equipment pool which is particularly available in the wintertime when the service is highest, as most of our equipment is more used in the summer.

We can operate under an existing standard Amtrak contract with the Seaboard Coast Line Railroad which is far more favorable than they are willing to give to any outside or new company. So, inherently, because of the nature of things, we have basic advantages, and I think we can do this for modest incremental costs, and the market is clearly there. It has been demonstrated to be there and I think we can make a profit.

Now, the profit will serve to reduce our overhead and reduce our reliance on Government. So I think it is a plus. Actually, a relatively small amount of capital that is required, only about $4.5 million, basically for lease or acquisition of terminals and for the car carriers. These are the only things we have to actually invest in, we can produce that capital from our own generated funds, not appropriated funds, from real estate development and the like.

So we can go into this, I think, and make a profit. We certainly are going to make the old college try, and my experience is I think we can do it.

Senator CHILES. Well, as you explain, the fact that you have no cost for your reservations, those items had to be costly to the Auto-Train Corp.

Mr. CLAYTOR. They were very costly. They had a big management overhead. The entire overhead had to be allocated just to the one train. We are not going to have to add anybody, essentially, to our overhead in order to do this, including our ticketing, which is a big item, our computer system, our reservation system, and the like.

We will have some direct expenses in advertising in that train and not much else, and of course the cost of running the train.

TIMING FOR AUTO-TRAIN RESUMPTION

Senator CHILES. Well, we look forward to the startup. And when will you start it up now?

Mr. CLAYTOR. I think the earliest we could possibly start is close to the end of this year.

Senator CHILES. For next season?

Mr. CLAYTOR. We should have it in operation for the winter season.

Now, our proposal would be to operate daily in the peak season and triweekly in the offseason, which I think was another mistake the old company did make. They tried to run daily all the time, and there are some very slack seasons for this operation. The slack seasons usually are in the late spring and in the early fall.

But three-times-a-week service would maintain the service and reduce the cost by something better than 50 percent of the operating costs. So that is the way we plan to run it.

Senator CHILES. Good.

FEASIBILITY OF FLORIDA BULLET TRAIN SERVICE

Last May the Japanese-funded study of the feasibility of the Bullet train service in Florida was begun. For this train to be economically feasible, one of the major assumptions has been it would be built along the interstate right of way and that the use of that right of way would be obtained without cost.

What discussions have gone on to date with the Federal Highway Administration with regard to the use of the Interstate right-of-way? We heard recently that senior officials at the Federal Highway Administration are having some second thoughts on that. Do you know whether they are willing in fact to permit the use of the Bullet train, to use that right of way?

Mr. CLAYTOR. No, sir, because that is not a project in which we are involved. We are watching it, but it is not our project. And I did not even know there were such negotiations going on.

The high-speed rail operations—we have discussed possible high-speed rail operations with a half a dozen proposers, and in each case I have said, Amtrak is delighted, will be delighted to work with you, to give you such information as we have, and if you can get a project off the ground, which means complete a marketing study and obtain some financing, we will be prepared to sit down with you and work out a licensing contract along the lines of the one we have already signed with American High Speed Rail in California, and we would be prepared to contract with you on a for-profit basis for Amtrak for whatever you would like, such as constructing the railroad, operating the railroad, conducting ticketing or the like.

But we are not prepared to really do much until a project gets off the ground, and we are not trying to get any off the ground as such. We are not sponsoring any projects anywhere.

Senator CHILES. Mr. Blanchette, are you familiar at all with that?

Mr. TILL. As is the case with Mr. Claytor, Senator Chiles, we do not at the Department have any direct involvement. The studies going on in

Florida are being carried out, I think, as a cooperative venture between the American High Speed Rail Corp. and Japanese National Railways.

I might just say, however, that to draw an analogy between the situation in southern California and the situation in Florida, the original plans for providing such service between San Diego and Los Angeles indicated a high degree of reliance upon interstate right-of-way. I think their more concrete plans and more recent plans indicate that in many cases that is simply not feasible. So there may be less reliance on interstate right-of-way than they originally thought was practical.

But we have had no direct involvement in those studies and do not expect to.

GRANTS-IN-AID FOR RAILROAD SAFETY

Senator CHILES. Mr. Blanchette, I noticed that you are proposing again, as you did last year, to eliminate the grants-in-aid for the railroad safety program. This program was authorized by section 206 of the Federal Railroad Safety Act and relies on a State and Federal partnership in which participating States implement federally established rail safety standards.

This program has been well received. Florida is a participating State and it has been very effective. In Florida, following three serious rail accidents in 1977 and 1978, the State initiated its railway safety program with six inspectors and derailments in the State of Florida have declined 70 percent, compared to the nationwide average which has declined only 18 percent since that time.

In view of the effectiveness of that program, why is the Federal Railroad Administration proposing to eliminate the program?

Mr. BLANCHETTE. The proposal which has been put forth unsuccessfully for this, now the third consecutive effort, is in no way related to the efficiency or worth of the program. Prior attempts were based on strictly financial grounds. They, I will admit, have not met with any success.

I am in somewhat of a dilemma because, while we are driven by that fiscal constraint, I have to confess to you that you are right in the efficacy of the State safety program, particularly in Florida. The program is working exceedingly well there and, regardless of the outcome of this financial debate, we would hope that Florida's participation would continue.

Indeed, we promulgated regulations this year which expand the role of the safety inspectors on the State level into other than merely track work. So I cannot say as a manager that there is anything wrong with the program. I concur 100 percent with your analysis of the program in Florida.

The request that is made by the administration and that has been made for the last 2 years is strictly a financial one. It has nothing to do with the worth of the program.

Senator CHILES. I thank you for that forthright answer, because all of our facts show that the program has been successful and one of those in which the Federal Government is urging State cooperation and the States have responded.

I thank you, Mr. Chairman.

Senator ANDREWS. Thank you, Senator.

COAL SLURRY PIPELINES

Mr. Blanchette, in the past you have stated your position on coal slurry pipelines, and the position was that the Federal power of eminent domain should not be available for construction of coal slurry pipelines. Is this still your view?

Mr. BLANCHETTE. This continues to be, as of my last hearing, the view of this administration. I rely on a memorandum written by the President of the United States in November 1981, in which he stated that the Federal powers of condemnation ought not to be preemptive of the States.

We do know, all of us, that that matter is being revisited by the administration and in the Cabinet Council on, I think, environment. So you may never hear from me in my capacity again, depending on the outcome of that. But so long as my leader adheres to the November memorandum, I say that I subscribe to it not only professionally but personally.

Senator ANDREWS. Well, that is what I was getting at, because I think that what we need are professional evaluations of these particular things, rather than political evaluations that occasionally can be changed as winds flow from different directions from time to time. And I assume that you had made your earlier evaluation on the basis of your professional background and expertise. That is why I wanted to bring it up to date in these hearings today.

SUBMITTED QUESTIONS

Actually, I think what I will do with the rest of these questions is submit them to you, to be answered in the record. I have a letter from our colleague from Maryland, Senator Sarbanes, and he has some questions for Amtrak officials, Mr. Claytor, that I will submit for the record so that you can answer them there. Senator Weicker has also submitted questions. Senator Chiles, Senator Byrd, and other members of the subcommittee may well also have questions for the record.

Mr. CLAYTOR. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

FEDERAL RAILROAD ADMINISTRATION

QUESTIONS SUBMITTED BY SENATOR ANDREWS

STAFFING LEVELS

Senator Andrews: Provide for the record a table that breaks down the 255 positions that make up the Administration, Research and Special Projects portion of your FY 1984 budget by activity. Also provide an explanation of how you intend to achieve the FY 1984 reduction of 37 positions, including attrition level expectations, and plans for a reduction-in-force.

Response: As of April 3 we had 274 employees on board which is within 19 of the FY 84 request. It appears that attrition may be sufficient to avoid major reduction-in-force. However, certain changes in program areas such as narrowing the focus of research and development activities to railroad safety matters may result in job actions. I cannot make a final distribution of the positions within this appropriation until after the FRA reorganization is completely implemented throughout all elements of the agency. I expect this will be completed soon and I will provide you a table in the near future.

CONSOLIDATION OF ACCOUNTS
BREAKDOWN OF FUNDING ($000)

	FY 1983	FY 1984	On Board as of 5/31/83
Office of the Administrator:			
Salaries and Expenses	$10,942	$9,867	
Contractual Support (Policy)	2,510	1,900	
(Position Levels)	(197)	(171)	(166)
Total OA	13,452	11,767	
Railroad Research and Development:			
Salaries and Expenses	2,500	1,950	
Contractual Support	14,500	14,725	
(Position Levels)	(26)	(15)	(24)
Total R&D	17,000	16,675	
Rail Service Assistance:			
Salaries and Expenses	4,000	4,000	
Contractual Support	6,925	5,340	
Local Rail Service Assistance (Grants)	20,750	---	
Loan Guarantee Defaults	1,185	854	
(Position Levels)	(51)	(51)	(51)
Total RSA	32,360	10,194	

CONSOLIDATION OF ACCOUNTS--Continued

	FY 1983	FY 1984	On board as of 5/31/83
Northeast Corridor Improvement Project:			
Salaries and Expenses	$2,100	$2,100	
(Position Levels)	(18)	(18)	(21)
Total NEC	2,100	2,100	
Total - Administration, Research, and Special Projects	65,412	40,736	
(Total Positions)	(292)	(255)	(262)

SAFETY

Senator Andrews: Last year you discussed six rulemaking projects that you had underway. These were:

1. Alerting lights on locomotives
2. State participation rule revision
3. Tank car safety improvement (HM-175)
4. Passenger car standards
5. Small railroad deregulation inquiry
6. Signal and train control rules

Please provide a synopsis of each rulemaking and its present status.

Response: We have made substantial progress on each of these regulatory projects.

Alerting Lights on Locomotives. This proposal would have required that railroad locomotives display a lighted alerting device (oscillating, rotating, or strobe light) at public rail-highway crossings at grade. FRA has terminated this rulemaking proposal because the available data do not support a conclusion that the lights are effective in reducing accidents.

State Participation Rule Revision. On September 16, 1982, FRA issued a final rule revising its State participation regulations (49 CFR Part 212) to expand the inspection and surveillance authority of State safety inspectors. That rule broadened the States' safety authority under the program to include the areas of safety appliances, power brakes, locomotives,

operating practices, and signal and train control. Two states have already taken steps to exercise the additional authority afforded by the revised rule.

Tank Car Safety Improvement (HM-175). This rulemaking involves the retrofit installation of tank head protection, high temperature thermal insulation, and large capacity safety relief valves on existing DOT Specification 105 tank cars and on other DOT Specification tank cars that carry the same commodities as the 105 tank cars. The Materials Transportation Bureau of the Department has recently issued a Notice of Proposed Rulemaking in docket number HM-175 that would require the retrofit of approximately 3,000 tank cars that transport liquefied petroleum gas, ethylene oxide, and anhydrous ammonia. The deadline for written comments on the proposed rule is June 7, 1983.

Passenger Car Standards. This safety inquiry involves development of information on the need for, and appropriate scope of, substantive safety standards for rail passenger equipment. FRA held a series of public hearings in various cities in 1982 in connection with the inquiry. On January 14, 1983, a statute was enacted requiring FRA, by January 14, 1984, to issue such passenger regulations as may be necessary to maximize safety to rail passengers in certain areas. FRA's Office of Safety is currently reviewing and analyzing the data developed during the safety inquiry and more recent data. I expect to receive its recommendation on the action FRA should take in this area within the next sixty days.

Small Railroad Deregulation Inquiry. On August 3, 1981, FRA initiated a safety inquiry on the deregulation of FRA's safety regulatory program as it applies to small railroads. The inquiry was prompted by a limited analysis of accident data indicating that small railroads accounted for a disproportionately small number of casualties in the railroad industry during the period from 1975 through 1979. During 1982, FRA safety inspectors conducted individual assessments of the safety and operational characteristics of small railroads to assist FRA in determining whether existing regulatory requirements on such railroads should be eliminated, reduced, or modified. I expect to receive a draft regulatory proposal within ninety days. FRA plans to publish a Notice of Proposed Rulemaking in about four months.

Signal and Train Control Rules. On March 21, 1983, FRA published a Notice of Proposed Rulemaking that would amend FRA's Signal and Train Control Regulations and Orders. The proposed amendments would revise and clarify existing safety requirements and eliminate certain rules no longer considered necessary for safety. A public hearing on the proposed rule will be held on April 19, 1983. The deadline for written comments on the proposal is May 2, 1983.

CAR REFLECTORIZATION

Senator Andrews: A 1981 NTSB study on rail car reflectorization found that accidents in which a motor vehicle strikes a train that is occupying a grade crossing during hours of darkness have involved approximately 1,800 collisions each year, resulting in 140 deaths and 800 injuries annually. What actions has FRA taken to reduce the number of these accidents? Would locomotive reflectorization be an appropriate focus of a rail car reflectorization program?

Response: Much has already been accomplished in reducing rail-highway crossing accidents through "Operation Lifesaver," upgrading crossings by installing gate and flashing light systems, removing brush from crossings, and enforcing state safety laws. The number of crossing accidents and fatalities nationwide has declined from 11,700 accidents and 1,028 fatalities in 1976 to 7,753 accidents and 606 fatalities in 1982. This trend accounts for a 33.7% decrease in accidents and a 41.1% reduction in deaths.

FRA and Federal Highway Administration in cooperation with Canadian authorities, initiated a study at the U.S. DOT's Transportation Systems Center to evaluate the effectiveness of reflecting devices in preventing vehicle train collisions. The TSC report, which was issued in December 1982, focused on reflectorization of the entire railroad equipment fleet and concluded that the cost did not generate benefits that would justify installation. Because of the number of motorists driving around or through gates, stopping and then proceeding, and driving under the influence of alcohol or drugs, most of the collisions which take place would not be affected by reflectors whether placed on the freight cars or the locomotives. The cost/benefit of reflectorization on locomotives only was not determined but will be studied.

SAFETY ACTIVITIES

Senator Andrews: What action is FRA taking to ensure the safety of track on which hazardous materials are carried?

Response: FRA will continue its increased emphasis on inspection by its field forces of routes over which hazardous materials travel. FRA has scheduled its inspectors to inspect annually the 92,000 miles of track that handles all Amtrak passenger traffic and 95% of all hazardous materials traffic. Other FRA inspection activities are also focused on this 92,000 mile network; operating practices inspectors evaluate train operations; equipment inspectors concentrate on repair facilities and dispatching points; and signal and train control inspectors monitor the maintenance of signal systems.

Senator Andrews: What action is FRA taking to assist in the reduction of rail/highway grade crossing accidents.

Response: FRA is involved in a wide variety of activities designed to reduce rail-highway grade crossing accidents. These

efforts include visiting schools and civic organizations to educate the public as part of the "Operation Lifesaver" program; maintaining the U.S. DOT/AAR National Rail-Highway Crossing Inventory, which is used by Federal, state, local and railroad rail-highway crossing safety program managers, as well as by researchers and consultants; cooperating with other agencies and interest groups in the promotion of rail-highway crossing safety programs; sponsoring research to develop computer based resource allocation models and concomitant accident prediction formulas; and preparing a cross indexed compilation of the laws of all fifty states which deal with rail-highway crossings.

All of this research has been accomplished with close cooperation of the Federal Highway Administration, often with joint sponsorship.

Senator Andrews: What is the leading cause of railroad accidents? Please provide a breakdown of causes, number of accidents and percent of total for the last five years.

Response: On the basis of accident statistics reported to FRA, track problems have been the leading cause of railroad accidents for the past five years through 1982. Track-caused accidents comprised 38.7% of all accidents in 1982 and 41.1% of all accidents over the last five years. Over the same time period, total railroad related injuries declined from 72,545 to 39,391 (45.7% reduction) and fatalities declined from 1,646 to 1,118 (a 32.1% reduction). A breakdown of all accidents by cause over the last five years follows:

	1978		1979		1980	
Cause	Accidents	Percent Total	Accidents	Percent Total	Accidents	Percent Total
Human Factors	2,845	25.2	2,660	27.3	2,323	27.5
Equipment	2,170	19.3	1,815	18.6	1,458	17.3
Track	4,797	42.5	4,050	41.6	3,492	41.3
Miscellaneous	1,465	13.0	1,215	12.5	1,178	13.9
Total	11,277	100.0	9,740	100.0	8,451	100.0

	1981		1982		1978-1982 Totals	
Cause	Accidents	Percent Total	Accidents	Percent Total	Accidents	Percent Total
Human Factors	1,597	27.6	1,285	27.8	10,710	26.9
Equipment	1,016	17.6	800	17.3	7,259	18.2
Track	2,273	39.3	1,785	38.7	16,397	41.1
Miscellaneous	895	15.5	748	16.2	5,501	13.8
Total	5,781	100.0	4,618	100.0	39,867	100.0

RETROFIT OF TANK CARS

Senator Andrews: What is FRA's position on the rule requiring the retrofit of specification 105 tank cars. Isn't the lack of head shields and couplers the major cause of hazardous material rail car leakage in derailments and collisions?

Response: FRA agrees that head shields and shelf couplers on rail tank cars can reduce the likelihood of hazardous material leakage in accident situations and, therefore, believes that retrofitting DOT specification 105 tank cars is appropriate. The most cost effective safety system, shelf couplers, has already been retrofitted on all specification 105 tank cars as a result of regulatory action taken in Docket HM-174. In addition, the final rule in HM-174, which was published in the Federal Register on January 26, 1981, requires all DOT specification tank cars to be equipped with shelf couplers by March 1, 1985. Previous to that rulemaking, action taken in Docket HM-144 required shelf couplers on DOT specification 112 and 114 tank cars.

These two rulemakings (HM-144 and HM-174) also established requirements for tank head protection (head shield), high temperature thermal insulation, and large capacity safety valves applicable to specification 105, 112, and 114 tank cars. These three safety systems are required on specification 112 and 114 tank cars carrying liquefied petroleum gas (LPG) and on newly constructed specification 105 cars carrying LPG or ethylene oxide. Tank head protection is required on specification 112 and 114 tank cars and newly constructed specification 105 tank cars that carry anhydrous ammonia.

FRA has analyzed various options for extending the requirements for tank head protection, thermal insulation, and safety valve sizing to existing DOT specification 105 tank cars. FRA has concluded that extending the requirement to the commodities previously required in HM-144 and HM-174 is appropriate for existing large capacity DOT specification 105 tank cars. The analysis also concluded that the older, smaller capacity, and less utilized DOT specification 105 tank cars carrying those commodities do not warrant additional retrofitting. Similarly, the analysis indicated that these safety systems, as a group, are not justified for the other commodities transported in DOT specification tank cars.

Senator Andrews: What were the results of FRA's cost/benefit analysis for this rulemaking?

Response: Our analysis for HM-175 compares four safety alternatives for 105 and 111 tank cars that carry the commodities specified in this rulemaking. The total number of tank cars included in this analysis are 21,378.

We considered the following options:

(1) Base Case (No Regulatory Action)

(2) All existing cars carrying all commodities under review;

(3) Existing chlorine cars with a capacity over 17,000 gallons and all other cars with a capacity over 18,500 gallons that carry liquefied flammable gas, ethylene oxide, or anhydrous ammonia; and

(4) Existing cars with a capacity over 18,500 gallons that carry liquefied flammable gas, ethylene oxide, or anhydrous ammonia.

The safeguards considered for each retrofit alternative are high temperature thermal insulation, head shield protection, and a large capacity safety relief valve.

The best benefit/cost ratio among these alternatives is the alternative requiring the retrofit of tank cars with a carrying capacity over 18,500 gallons. The number of cars to be retrofitted and the safeguards recommended using a three year retrofit schedule are:

Safeguards	Car Retrofitted
Thermal and Head Shields	2,088
Thermal	839
Head Shields	99

The benefits for this alternative are $43 million and costs are $28 million over a 20 year forecast that uses a 10% discount factor.

Senator Andrews: When do you expect RSPA to publish a rulemaking?

Response: The Department issued a NPRM on April 14, 1983. Comments must be received by June 7, 1983.

DRUG AND ALCOHOL USE

Senator Andrews: The Washington Post recently reported an interview with Mr. Blanchette that was about standards FRA is trying to get labor and rail management to agree on regarding alcohol and drug use. How prevalent is this problem among individuals involved in rail operations? How many accidents have been attributed to this problem?

Response: The problem is as old as the rail industry, and is a pervasive one. A detailed FRA study published in 1979 showed that about 23% of railroad operating employees were problem drinkers and that 13% reported to work at least "a little drunk" one or more times during a 12-month period. Further, 13% of operating employees drank while on duty at least once during the study year, averaging about 3 such instances during the year. Our recent update of that study showed no real abatement.

FRA has identified 20 significant train accidents since 1973 involving alcohol or drugs as a

probable cause or significant contributing factor. Those accidents resulted in 24 fatalities, 59 non-fatal injuries, and property damage in excess of $18 million. In addition, FRA identified 16 fatalities to railroad employees working around rail rolling stock that involved alcohol or drugs as a contributing factor. These statistics are incomplete, because employees and managers both have reasons to play down the role of alcohol and drugs after an accident occurs.

Senator Andrews: What is the status of your rule and of the negotiations between labor and management?

Response: We have forwarded our proposed rule to the Office of Management and Budget for review. Based on our discussions with the parties, we believe that the proposal will be acceptable to the railroads and their employees.

Senator Andrews: A lot of emphasis has been put on alcohol and drunk driving awareness by the Department in the past few months. Are there carry over effects from the drunk-driving programs to any rail programs?

Response: It is my belief that there is a correlation between the decreases in highway accident statistics credited to drunk driving programs and the reduced number of grade-crossing accidents and casualties in recent years.

Senator Andrews: Do railroads have any alcohol and drug awareness training programs for their employees? If so, are they effective?

Response: All railroads provide training to their employees with respect to railroad operating rules, including the rule prohibiting alcohol and drug use (Rule G). In addition, some carriers make special efforts to call the hazards of alcohol and drug impairment to the attention of employees on a more or less regular basis. The quality of rules training and supplementary awareness programs varies widely.

Most major railroads also have employee assistance programs that provide counseling and treatment for problem drinkers. These are purely voluntary efforts, and they are tangible evidence of the railroads' commitment to preserving their human resources and bringing alcohol and drug use under control.

I also want to emphasize that most employees respect the prohibitions on alcohol and drug use contained in Rule G and realize that the issue is one affecting their own personal safety. However, they hesitate to report a fellow employee because the standard sanction for a Rule G violation is dismissal.

Any successful approach to the alcohol and drug problem will have to involve employees in the solution, since they have the best opportunity for detection and are most directly affected by the safety consequences.

GAO REPORT ON SYSTEMS SAFETY PLAN

Senator Andrews: A conclusion made by the GAO relating to the FRA's Systems Safety Plan was that there is little relationship between the plan and the studies performed as part of the plan's background and development. A substantial amount of time and money was invested in these studies, several of which were done at the Transportation Systems Center (TSC) with total expenditures from 1978 through 1981 of close to $4 million. What was the point of these study efforts? Has our investment just been wasted?

Response: In FY 1978 FRA entered into an agreement with the TSC to assist the Office of Safety in establishing program priorities. Early funding focused on an improved and integrated modern data base management system for servicing FRA statistical reporting and information retrieval requirements. Improvements in the data base management systems were needed before subsequent analysis could be undertaken. A number of descriptive analyses were performed to establish the character of the hazard problem, its size, scope, growth, and special concerns. Funding was also included for contractual support for regulatory analysis.

Some valuable support studies were conducted by the TSC in 1981, the year I assumed my present position. For example, accident trend analysis was conducted in support of the Systems Safety Plan. Regional booklets were produced showing rail network levels of hazardous materials traffic and passenger routes for the eight FRA safety regions to aid in preparing regional inspection plans. A relationship between track-caused accidents and railroads' deferred maintenance was established. A study of the rerouting of trains carrying hazardous materials to avoid populated areas was conducted. This study showed that rerouting was not economically feasible nor did it reduce the chance of catastrophic accidents.

Senator Andrews: The GAO recently criticized the rail safety plan you publicized last year. One of the major criticisms made by GAO was that FRA safety inspectors may interpret the plan to mean they should avoid citing violations in a wide range of circumstances. Please explain why this interpretation of your plan would be made by the inspectors?

Response: FRA does not share GAO's conclusion regarding possible misinterpretation of the plan by FRA inspectors; this conclusion demeans the ability and commitment to safety of FRA's highly skilled and experienced cadre of safety inspectors. We have seen no evidence indicating that GAO's concern has any basis in fact.

The success of FRA's safety program depends on its inspectors' ability to exercise sound discretion in selecting the appropriate remedy for a particular problem from among the enforce-

ment weapons in their arsenal. Civil penalty citations are and will remain an important enforcement tool to be used by inspectors wherever necessary to achieve safety. Because FRA's Systems Safety Plan makes this point explicitly, we think GAO's concerns are not well founded.

Senator Andrews: Do you have any evidence that this has been happening? For the record, please provide a table showing the numbers and type of violations cited since 1980 as well as the numbers of accidents that have occurred during the same time period.

Response: The reduction in violation citations is attributable to FRA's increased emphasis on system assessments. Such assessments have played a critical role in the decreasing accident rates on several major railroads; those improvements are reflected in the reduction in total accidents nationwide during this three-year period.

	1980		1981	
	Accidents	Violations*	Accidents	Violations*
Human Factor	2,323	176	1,597	146
Equipment	1,458	***	1,016	3,401**
Track	3,492	485	2,273	390

	1982	
	Accidents	Violations*
Human Factor	1,285	82
Equipment	800	1,195
Track	1,785	122

* Defects recommended for prosecution by FRA safety inspectors.
** Covers nine-month period (April-December) only.
*** The equipment figures were not entered in the computer system until April 1981. Therefore, figures are not available prior to April 1981.

FRA RESPONSE TO GAO

Senator Andrews: It is interesting that FRA did not respond to the GAO's report within the time frame allotted. Some of GAO's remarks are quite significant. Explain why GAO didn't receive any comments within the time they could have been useful.

Response: GAO's deadline for comments on its draft report gave FRA less than a month to respond. FRA prepared comments on the report within that time frame, but was unable to complete Departmental coordination of those comments by GAO's deadline.

Consequently, FRA decided to reserve its comments until the report was issued in final form. GAO issued its final report on December 21, 1982. On March 21, 1983, the Department submitted a statement on the report to several Congressional committees, including the Senate Committee on Appropriations.

SAFETY GOALS

Senator Andrews: As part of the safety plan, you set a goal of 20% improvement in railroad safety over the period from 1981 until 1985 in comparison to the 1976 to 1980 timeframe. How will you decide if you've met these goals?

Response: The 20% goal will be applied to each of the five priority elements of FRA's safety program. Specifically, the goals will be measured annually by comparing the five year average for 1976-1980 to a projected five year average for 1981-1985 to determine whether the following reductions have been achieved:

- o A reduction in the rate of hazardous materials releases per million hazardous materials car-miles from 0.3 to 0.2.
- o A reduction in the rate of passenger fatalities per billion passenger miles from 0.5 to 0.4.
- o A reduction in the employee fatality rate per million work hours from 0.10 to 0.08.
- o A reduction in the number of grade crossing fatalities, as measured by the exposure index (train-miles x vehicle miles/10^{8}) from 1.3 to 1.0.
- o A reduction in the number of trespasser fatalities per million train-miles from 0.5 to 0.4.

Senator Andrews: GAO claims the goals are unsupported, in their evaluation of your plan. How did you decide that this was the goal you would strive for?

Response: The 20% industry improvement goals for railroad safety over the five year period 1981 to 1985 shown in the Systems Safety Plan are broad estimates, based on a management judgment of what can and should be achieved. The goals selected are management objectives that both encourage safety improvements and provide a yardstick against which agency achievements can be measured.

SAFETY INSPECTORS

Senator Andrews: Last year you requested 24 additional safety inspectors and this increase was approved by Congress. You also testified last year that if these additional inspector positions were approved and you have the money you would go out and hire people. Of your 379 inspector positions, how many are presently filled? With the economy in its present condition there ought to be lots of people available to fill these slots. What has FRA been doing to recruit new inspectors?

Response: There are 354 inspectors on board against a ceiling of 379. During the year, 23 inspectors left because of retirements, resignations or transfers. The FRA maintains a current

list of qualified individuals who are interested in employment as railroad safety inspectors. The list contains the names of 400 applicants. The FRA plans on having all 25 vacancies filled by June 6, 1983.

Senator Andrews: What led you to maintain the same level of inspectors in FY 1984 as in FY 1983?

Response: Because of the success of the cooperative approach, the development of the National Inspection Plan, and improvements in the utilization of inspector resources, we believe that we can effectively carry out our mission in FY 1984 without increasing the size of our field force.

The National Inspection Plan, which incorporates state safety inspection plans, has enabled us to maximize the effectiveness of our field force. Each region prepares a plan which is incorporated into the national plan. Part of the basis for the regional plans is accident and trend analysis data provided by the Washington office. The plan, which is prepared annually, eliminates random inspections and focuses inspection effort on the areas demonstrating the worst safety record.

SAFETY VIOLATIONS

Senator Andrews: Under what circumstances would penalties for safety violations be assessed by FRA? What kind of situation would cause FRA to decide not to assess a penalty? Who would make these determinations?

Response: The goal of FRA's safety program is the promotion of safe railroad operations. FRA's safety inspectors use civil penalty assessments, in conjunction with the other enforcement weapons at their disposal, in the mix best calculated to achieve this goal.

In general, civil penalties for safety violations should be assessed wherever necessary, in a safety inspector's judgment, to promote safe operations. In contrast, civil penalties are less appropriate where a safety problem can be corrected expeditiously and effectively through other available remedies.

SAFETY PROGRAM MANAGEMENT

Senator Andrews: GAO has concluded that the Systems Safety Plan is not an effective tool for management to control and evaluate FRA's success in carrying out rail safety objectives. Mr. Blanchette, you stated many times that the Systems Safety Plan is merely a statement of principles. What management tools do you use to structure, evaluate and budget for your safety activities?

Response: FRA's Office of Safety is responsible for managing the Government's railroad safety program. That Office prepares a National Inspection Plan annually to ensure effective use of field inspector resources. In developing the Plan, the Washington

office begins by preparing a report for each interstate railroad showing the number of train accidents, the ratio of accidents to ton miles, the number of casualties, the ratio of casualties to hours worked, the number of hazardous material incidents, and the ratio of hazardous material incidents to ton miles. This information is then projected over several years as a means to compare railroads by region. Each region, in response to the National Plan, prepares a local plan that complements the overall safety effort. These plans are designed to focus attention on those areas demonstrating the greatest need for improvement.

In its 1982 report "The Federal Approach to Rail Safety Inspection Enforcement: Time for Change", the GAO recommended that FRA shift the emphasis of its safety program from individual inspections to broad based system assessments. FRA concurred with that recommendation. Recently we have documented the railroad safety assessment procedure and have started the development of a safety assessment manual. The railroad safety assessment program is used, in cooperation with railroad management and labor, to achieve safety improvements in all aspects of rail operations. An entire railroad, or a portion of a railroad, such as a division or its lines within a certain geographic area, may be selected for assessment. The assessed area is monitored for statistical improvement and follow-up reviews are performed by field personnel to determine if the assessment achieved the desired improvements.

TERMINATION OF STATE INSPECTION GRANT PROGRAM

Senator Andrews: You have stated that states will be able to continue their inspection programs by bearing the full costs of the program. What are the full costs? How many states participate in the Federally shared program?

Response: FRA has obligated the $2.4 million authorized for FY 1983 to fund the Grants-in-Aid for Railroad Safety program. The full cost of the program is roughly twice that, or $4.8 million.

There are now 30 states participating in the program, with a total of 93 inspectors.

Senator Andrews: How many miles of track are inspected by how many state inspectors? What is your assessment of how many states will continue their program and what are the impacts on your remaining inspection program?

Response: 127,332 miles of track were inspected by 59 state inspectors in 1982. The 23 states that FRA believes will fully fund their state railroad safety program in the absence of 50:50 matching funds from FRA employ 51 of the state track inspectors currently in the program. The Government's rail safety monitoring activity would not materially suffer as a result of the elimination of Federal funding for this program.

Senator Andrews: What have the states' response been to your proposal? Has that response changed from last year when you proposed to terminate Federal funding of this program before?

Response: Based on an informal survey of participating states in 1982, FRA concluded at that time that of the 30 states currently participating at least 23 states would fully fund their state railroad safety program in the absence of matching funds from FRA. These states account for 79 of the 93 state inspectors. Judging from our recent contacts with participating states, we do not think that the results would be any different now.

Senator Andrews: Your FY 1984 budget justification envisions an increased emphasis on rail systemwide safety assessments. Also, the FY 1984 budget does not include funds for the state inspection program. Without the state program, fewer inspectors will be available (especially since FRA hasn't requested new inspector positions). How is it possible to increase emphasis on systemwide assessments when each Federal inspector will have more track to cover?

Response: FRA supports continuation of the state inspection program. We urge only that Federal funding for the program be terminated, for fiscal reasons. FRA believes that most of the states currently participating would fully fund their state railroad safety program in the absence of matching funds from FRA.

ATIP TRANSFER

Senator Andrews: In FY 1984 you are not requesting any funds for the Automated Track Inspection Program (ATIP), nor are you requesting any additional safety inspectors. How do you plan to make-up for the ATIP inspection capabilities?

Response: The redirection of the ATIP program will result in a cost saving, and there will be no negative impact of track safety. In fact, the number of track miles inspected using automated track inspection is expected to increase dramatically in 1984.

FRA transferred two ATIP vehicles under lease agreements to Conrail and Amtrak. Conrail and Amtrak will provide the data collected to FRA.

Also, we are conducting discussions with the AAR on the possibility of leasing the remaining ATIP vehicles for use by the member railroads who currently do not own ATIP vehicles. The automated inspection data collected would be provided to FRA.

FRA anticipates that by FY 1984 most railroads will own automated track inspection equipment or will arrange pooling agreements with other railroads for use of automated inspection equipment.

Senator Andrews: Why aren't additional inspectors needed, especially since you've set a 20% improvement goal in the Systems Safety Plan?

Response: We have concluded that our 20% improvement goal can be achieved by improving utilization of present resources and continuing our emphasis on system safety assessments. These

efforts here already produced substantial safety improvements. In 1981-1982, fatalities in two priority areas identified in the Systems Safety Plan, employee and rail-highway crossing, were reduced by 37 and 29% respectively, in comparison to the 1976-1980 averages in those categories. In a third priority area, hazardous materials, there were no fatalities in 1981 or 1982.

We believe that our National Inspection Plan, which incorporates states' safety inspection plans, will enable us to place emphasis wherever it is needed to enhance safety. The National Plan is prepared annually to provide for implementation of field aspects of the FRA safety mission during the year.

COMMUTER TRANSITION

Senator Andrews: A total of $125 million has been appropriated for the transition from Conrail to local operators of Conrail's commuter operations. How much of this money has been obligated to date?

Response: The following table shows the applications and obligations by DOT as of March 24, consistent with Congressional allocation of the funds.

($ Thousands)

Agency	Allocated by Congress	Applied For	Agreements Signed by DOT
Southeastern PA Transp. Authority (SEPTA)	$ 39,000	$ 39,000	$ 39,000
New Jersey Transit (NJT) 1/	22,000	22,000	13,400
Metro North (Metropolitan Transit Authority/ CONNDOT) 2/	59,000	59,000	9,230
Northeast Commuter Service Corp. (NCSC)	4,780	4,760	4,760
Maryland DOT	190	127	127
Delaware DOT 3/	30	20	0
TOTAL	$125,000	$124,907	$ 66,517

1/ The agreement obligating the remaining funds for NJT is expected to be signed by March 31.

2/ Awaiting figures from Conrail on operating subsidy payment due it from Metro North for the fourth quarter of calendar 1983 which is included as part of Metro North's transition expenses.

3/ Allocation contained in DOT initial regulations. Completed application just received from Delaware.

COMMUTER TRANSFER PROBLEMS

Senator Andrews: Although Conrail successfully got out of the commuter business on January 1st of this year, not all local operators have successfully gotten into the business. New Jersey, SEPTA and New York MTA are all out on strike. Just what is causing these strikes?

Response: The Northeast Rail Service Act of 1981 required negotiation of new collective bargaining agreements between the new operators (commuter authorities) and the rail unions. As of January 1, many of these agreements had not been completed, but the unions agreed to continue working without contracts for a limited time. Thus, all three commuter authorities were able to commence operations in January.

Negotiations for new labor contracts have continued and many have been completed. In some instances, however, agreements have still not been reached, and those unions without agreements decided earlier this month to strike. The outstanding issues are different at each of the three authorities.

The strike against NJ Transit by the United Transportation Union (UTU) has been brought about by a wage dispute. NJ Transit seeks to reduce the wage level of its conductors and trainmen below that paid by Conrail. It proposes to do so largely by reducing the wages paid during the middle of the day for those train crew members who are not working then, or by scheduling shifts for rush hours only. The UTU seeks to maintain both the former Conrail wage level and the concept of full pay throughout the day.

The strike against MTA's "Metro-North" lines in New York and Connecticut has also been called by the UTU, which is the only union, out of seventeen rail unions, that has not reached agreement with MTA. Unlike the dispute in New Jersey, the issue relates to crew size rather than wages. MTA seeks the exclusive power to determine the number of crew members needed on each train, as it already does on its Long Island Rail Road lines; the UTU wants minimum crew size to be fixed in the collective bargaining agreement, which has been the historic practice in the railroad industry.

In Philadelphia it is more difficult to characterize the specific causes of the strike because twelve of fifteen unions have not reached agreement with SEPTA, and all twelve are participating in the strike. Generally, however, wages and work rules are at issue. SEPTA seeks to adjust the wages of its rail employees to the level paid to its transit employees who operate and maintain the buses, trolleys and subways. On the work rules issue, SEPTA is endeavoring to break down some of the craft distinctions that exist in the rail industry, claiming that these distinctions cause inefficiencies. The striking unions, on the other hand, seek to maintain the Conrail wage levels and the historic craft distinctions which have been achieved through many years of railroad collective bargaining.

Senator Andrews: What is the liability associated with these strikes to the local authorities as well as to the Federal Government? Are the local authorities going to need more money?

Response: We regard these strikes as local issues that can and should be settled without Federal intervention. Accordingly, the terms of any settlement will have to be reached between the unions and each authority. What those terms will be, and what liabilities will be associated with each new agreement, no one can now predict. We do not anticipate any Federal liability associated with the settlement of these disputes, just as settlements of other mass transit disputes do not lead to new requirements for Federal expenditures.

As to whether the authorities are going to need more money, we believe that the special transition funds appropriated by the Congress, and now being paid to the authorities, should be sufficient to cover the costs of the transition from Conrail to the authorities. Significantly all of the present strikes are the direct or indirect result of each authority attempting to reduce costs below those experienced by Conrail.

The Administration plans to continue its policy of making funds available to local transit authorities for various capital projects, but to phase out Federal funds for operating assistance.

ROCK ISLAND LABOR PROTECTION

Senator Andrews: The Rail Service and Safety Improvement Act of 1982 authorized $35 million as a grant for payments of labor protection to former employees of the bankrupt Rock Island Railroad. The Act also directed the Department to negotiate a schedule of benefits with employee representatives or to prescribe one if agreement couldn't be reached within 90 days. What is the status of the development of these labor protection benefits?

Response: At a March 8 and 9 meeting at the Department, FRA and the Railway Labor Executives Association representatives made progress in identifying alternative approaches to the allocation of benefits. We will continue to receive recommendations from the labor organizations and believe that we can achieve substantial agreement on a final schedule. In addition, we have been working closely with the Railroad Retirement Board, the agency which will administer the program, on the technical and information points.

Senator Andrews: Do you intend to submit a supplemental request for any or all of the $35 million authorized to make labor payments? If so, what is

your anticipated time frame and how much do you expect to request?

Response: We will shortly make recommendations to OMB concerning the appropriation of funds for this purpose.

ROCK ISLAND SETTLEMENT

Senator Andrews: I understand the FRA settled with the Trustee of the Rock Island all outstanding Federal claims against the estate. Apparently, FRA was to collect $24 million which would satisfy Federal claims against the Rock Island which totalled $36 million. Explain the rationale for accepting the $24 million.

Response: In October 1982, the Department of Justice and the Trustee of the Rock Island reached an agreement, which was approved by the Reorganization Court, whereby the United States settled for $36 million in cash all outstanding financing and safety claims of FRA and the Federal Financing Bank against the Rock Island estate. The payment has been made by the Trustee.

The maximum assignable value, inclusive of accrued interest, of the FRA and FFB claims was about $51 million. The recovery expectation at discounted or collateral values was about $38 million. Given the probable value of the assets securing the FRA claims, the rights of the Trustee to liquidate certain of the claims at a discount, and the likelihood that the collection process would be prolonged, the agreed upon settlement was considered fair and equitable.

Senator Andrews: What has happened to any collections you've made in this settlement? How is the settlement reflected in your budget?

Response: The payment of the $36 million due from the Trustee for the settlement was effected through a credit against the proceeds of $40 million due to the Trustee from financing provided by FRA for transfer of Rock Island property and rights to the Oklahoma, Kansas and Texas Rail Users Association (OKT) and the Missouri-Kansas-Texas Railroad Company (MKT). The balance of the $4 million due to the Trustee for the sales to OKT and MKT was paid directly to the Trustee by FRA.

The proceeds of the settlement with the Trustee were directed to the Department of the Treasury and all Rock Island debt to FRA and FFB was liquidated. No budget entries were involved.

SUPREME COURT DECISION ON LABOR

Senator Andrews: Has either the Supreme Court decision on the Rock Island labor protection payments or the Rail Safety and Service Improvement Act of 1982 affected other bankrupt railroads such as the Milwaukee?

Response: Given my initial concerns about the effect of the Supreme Court decision, I suspended drawdowns for payment of Milwaukee labor protection. On August 6, 1982, the Milwaukee reorganization court allayed my concerns by ruling that its original orders upholding the constitutionality of the Milwaukee labor protection provisions were res adjudicata on the issue of constitutionality. The Milwaukee labor protection payments resumed shortly thereafter.

The labor protection provisions of the Rail Safety and Service Improvement Act of 1982 are directed only to bankrupt railroads in liquidation and therefore presently affect only the Rock Island, among major bankrupt railroads. Other railroads that are in reorganization, such as the Milwaukee, have continuing rail operations and are thus responsible for the labor protection of separated or furloughed employees.

CONRAIL LABOR PROTECTION

Senator Andrews: You have requested $20 million for Conrail labor protection for FY 1984. How many employees do you estimate will receive protection under Section 701 during FY 1984? How many of these are Amtrak vs. Conrail employees?

Response: We estimate that an average of 1,000 employees will receive daily subsistence allowances each month and that 300 employees will receive one-time, lump-sum separation payments.

All of these employees will be Conrail employees, although some may have worked on crews operating Amtrak trains. Prior to January 1, 1983, operating crews on Amtrak trains in the Northeast Corridor were Conrail employees. All are eligible for Section 701 benefits.

Senator Andrews: Also, please provide a summary of how many employees have received labor protection and how many have chosen a lump sum payment vs. the "stream" of payments since the Northeast Rail Service Act became effective?

Response: Approximately one-third of the applicants have elected lump-sum payment and two-thirds of the applicants elected the daily subsistence allowance option. As of February 28, 1983, Section 701 separation allowances have been paid to

1,923 Conrail employees. In addition, 33,309 individual monthly payments have been made to employees who chose the daily subsistence allowance option, an average of 1,850 beneficiaries per month. However, employees in this group change as employees are recalled to work or new employees are furloughed.

PREFERENCE SHARES

Senator Andrews: Last year, you stated that $129 million was available in the preference share account. How much remains to be obligated and how do you plan to spend these funds? How many new applications have been received for what projects? A chart comparing obligations to targeted projects would be helpful; please provide it for the record.

Response: Total funds available for obligation in the preference share account amount to $69.1 million (as of 3/22/83). All but $4.4 million of the total are subject to congressional direction or committed by FRA action.

The individual projects for which $64.7 million in preference share funds have been congressionally directed or committed include:

Project	Funding ($ Millions)	Status
Beverly-Royal Slope	$ 0.7	Financing documents being finalized
Mid-States Port Authority	18.0	Applicant renegotiating purchase price
East St. Louis	20.0	Application being prepared
Bloomer Shippers Association	3.0	Application being prepared
Rock Island Grain Route	15.0	Line purchase being completed
Milwaukee Road	6.0	Awaiting reorganization plan approval
Rock Island Lines - Iowa	2.0	State DOT studying project
Total	$64.7	

New applications and financing requests received for remaining uncommitted funds include:

Project	Funding ($ Millions)	Status
Hillsdale County Railroad (Michigan)	$ 2.5	Application incomplete
Chicago Port District	3.5	Negotiating purchase price with Rock Island Trustee
Detroit & Mackinac	3.4	Complete application being prepared
Shelton Davis (OK-RI lines)	5.4	Application incomplete
Monroe County, PA	12.2	Application being prepared
Total	$27.0	

TERMINATION OF FINANCIAL ASSISTANCE

Senator Andrews: The recently enacted Natural Gas Pipeline Safety Act included numerous provisions related to the railroads. It extended authorization for the preference share (section 505) and loan guarantee (section 511) programs through FY 1985 and authorized an additional $55 million for the preference share program. However, you have not included a request for any of these funds in your FY 1984 Budget. Please explain why.

Response: The section 505 and section 511 assistance programs have served the purpose for which they were intended. We do not see a need to continue the programs on a "stand-by" basis.

Recent legislative and policy initiatives--notably marketing freedoms in the Staggers Act--have provided new opportunities for railroads to improve their operations and finances.

No new meritorious applications are foreseen for major rail projects; we expect available funds to satisfy identified projects. Funding for purchase of the former Rock Island line between Dallas and Fort Worth is being provided through an appropriation to the Urban Mass Transportation Administration. Thus, the $55 million authorization for the preference share program is reduced to $40 million, solely for the East St. Louis project. The funding being sought for East St. Louis, however, is $20 million--all of which has been reserved out of currently available appropriated funds.

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Every effort will be made to complete the funding of projects for which funds have been appropriated and reserved in order that an orderly termination can be achieved.

Senator Andrews: Wouldn't these kinds of assistance programs be helpful in selling Conrail?

Response: Our aim is to end the Government's role as financier in the railroad business and we are confident that the financial backing needed for the Conrail divestiture will be provided by the private sector.

The acquisition and rehabilitation of Conrail branchlines is primarily a matter of state and local concern which in many cases is now being handled without Federal involvement. Recently, some Conrail lines have been purchased by Shippers' groups with assistance from the states.

TERMINATION OF LOCAL RAIL SERVICE ASSISTANCE

Senator Andrews: Another one of the assistance programs you plan to end is the Local Rail Service Assistance Program which helped states who lost essential rail service by line abandonments or by the creation of Conrail. As I understand the Rail Safety and Service Improvement Act of 1982, the mileage of lines Conrail abandons are now added into the basis for calculating how much a state can receive under this Program. Presumably, this action was taken to protect small shippers because Conrail is abandoning so many lines. What will happen to these shippers without the Local Rail Service Assistance Program?

Response: Shipper impact studies indicate that most small shippers are able without major economic consequences to shift to alternative modes of transportation, or to piggyback service, or to the use of centrally located team tracks where railroads locate cars for general unloading. In addition to states which have developed their own funding programs, we have seen evidence of shippers joining together to purchase and operate lines which Conrail proposed for abandonment.

The Rail Safety and Service Improvement Act of 1982 made a technical change to ensure that Conrail lines proposed for abandonment would continue to be included in the LRSA formula which determines each State's entitlement. This change was made because Conrail no longer submits a Rail System Diagram Map as a result of the expedited abandonment provisions of the Northeast Rail Service Act of 1981. Since all other rail carriers are required to submit Rail System Diagram Maps to the Interstate Commerce Commission,

the change ensures that Conrail mileage is treated comparably with other rail mileage under the LRSA formula.

Senator Andrews: When Conrail ends-up being transferred as an entity or sold-off in pieces, wouldn't this Program make the dislocations that are likely to occur less devastating?

Response: In conjunction with our 1981 analysis of rail service in the Northeast, we have studied the impact on shippers of the loss of rail freight service. The results of the study are included in our March 1981 Report to Congress on the Future of Rail Service in the Northeast. Based on the study results, we believe that the dislocations which would impact low volume shippers can be minimized by service alternatives, such as the use of trailer-on-flat car and centralized loading facilities. Ultimately, service alternatives will result in a more permanent solution than continuation of a limited formula grant program.

Specifically, 135 companies were studied to determine the impact of lost rail service. In all but 2 cases the firms were able to shift to alternative forms of transportation and in only 7 cases did business reductions result in employee layoffs.

Senator Andrews: How will small shippers be protected with all the mergers that are occurring and the related abandonments? What other forms of recourse do states have to help shippers whose rail service has been abandoned?

Response: With the funding available under the LRSA Program, states have become proficient at addressing local rail service issues including the impact of rail restructuring and mergers. The states with the most serious problems have developed their own non-Federal sources of funding from bond issues, legislative appropriations, gas and other highway user taxes. The following table reflects the states with established rail programs:

Connecticut	Mississippi
Delaware	New Hampshire
Indiana	New York
Iowa	Oklahoma
Massachusetts	Pennsylvania
Maryland	South Dakota
Michigan	Wisconsin

SHORTLINES

Senator Andrews: Last year, Mr. Blanchette testified that a lot of entrepreneurs were becoming short-line operators and taking over branchline operations. Has this trend continued? What are the effects on this trend if the section 505, 511 and local rail service assistance programs are terminated?

Response: The trend has continued; we do not believe termination of the assistance programs will have a major or negative impact on branchline projects.

Low density branchline projects have been funded largely through the Local Rail Service Assistance program which provides grants (70/30 match) to the states. The states with the most serious rail issues have established their own funding programs. The major local rail service problems are either behind us or being funded locally. Economically justified shortline operations can stand on their own.

RAIL DEREGULATION

Senator Andrews: The ICC has recently completed several major deregulatory rulemakings. In December, Ex Parte MC-156 allowed railroads to apply for motor carrier operating rights on the same basis as anyone else, Ex Parte 347(1) set extremely favorable maximum coal rates for the railroads, and boxcar and coal export traffic was recently deregulated. What part has the FRA played in all these decisions? Did the Department file comments in these proceedings?

Response: DOT filed in all these proceedings. FRA provides guidance on policy and economic issues raised in rail-related proceedings, and works with the Office of the General Counsel and the Office of the Assistant Secretary for Policy to develop official Department of Transportation comments.

The FRA believes that the Staggers Act called for the removal of regulation wherever competition and the demand for services are sufficient to maintain reasonable rail rates. This belief forms the basis for our positions taken before the Interstate Commerce Commission in exemption proceedings.

DOT supported the exemption of export coal traffic because we believe that the export market for both steam and metallurgical coal is highly competitive. Numerous U.S. mines, served by several railroads as well as other transportation modes, produce coal meeting the needs of foreign customers. In addition, U.S. coal competes for markets with coal produced by other countries and with alternative sources of energy. We also believe that an exemption will enhance the expansion of coal exports,

because it will allow mines, railroads, and foreign buyers to develop innovative marketing and transportation arrangements.

Our support for exemption of boxcar traffic from regulation was also based on the high degree of competition in this area. There is considerable competition from trucks for the traffic which moves in boxcars, as well as from the railroads' own TOFC/COFC service, which is already exempt. To regulate a commodity when it moves in a boxcar but not in a trailer or container prevents shippers from obtaining optimum rate and service combinations, since a railroad would be able to offer flexible arrangements for movements of one type, but not the other.

The Department's position in Ex Parte MC-156 supported removal of the special circumstances doctrine, which had severely restricted the operating authority of rail-owned motor carrier service. This restriction was adopted in 1935 to protect the newly developing trucking industry from predatory practices; it is no longer necessary or appropriate today. As in the Staggers Act, a basic principle of the Motor Carrier Act of 1980 is that competition is the most desirable means of assuring reasonable rates and service to shippers. Removal of the "special circumstances" test assures competition by providing freedom of entry for all trucking firms, regardless of ownership.

The maximum coal rate guidelines covered in Ex Parte 347(1) apply only in those specific movements where the Commission has determined that the railroad in question has market dominance over the traffic, i.e., where no competition exists. DOT believes that the Staggers Act requires the ICC to regulate these rates in a manner which places maximum reliance on market forces, allows railroads the opportunity to earn a rate of return sufficient to attract and retain capital, and assures that common costs are recovered from shippers in equitable a manner as possible. We urged the ICC to develop rate standards which allowed railroads to consider the differences in shippers' demand for rail services, while ensuring that no shipper should be required to pay more than necessary to cover the total cost incurred for facilities and operations providing service to that shipper. Nor should a shipper have to make up for a reserve shortfall resulting from traffic not contributing to the going concern value of a railroad.

ECONOMIC EFFECTS OF DEREGULATION

GENERAL

Senator Andrews: You have an office that analyzes these types of relaxed regulation for effects on the economy as well as the rail industry. What are the effects on the economy of these decisions? Does the consumer benefit? Will these ICC decisions just give the railroads more profit for corporate expansion or will the railroads apply the profits to necessary capital improvements?

Response: The decision on rail-affiliated motor carriers was served January 6, 1983. The boxcar and export coal exemptions and the coal rate guidelines have not gone into effect, and the final details are not firm. Therefore, the overall long-term effects on the economy cannot yet be assessed.

The Department believes that where market forces operate, they foster more efficient transportation service than Government regulation can. As formulated in the Staggers Act, the national rail transportation policy also reflects that principle, emphasizing relying on competition in the marketplace to the maximum extent possible and minimizing Federal regulatory control of railroads. The resulting improvements in flexibility and competitiveness of the railroads offer benefits to shippers and consumers. With increased opportunities to adjust rates and service to meet their costs and market demands, the railroads will also be better able to earn adequate revenues.

In recent years as regulations were eased and railroad earnings improved from less than 2 percent return on investment in 1975-78 to close to 4 percent in 1980 and 1981, railroads have nearly doubled their annual capital expenditures for track, and have continued to spend approximately the same high proportion of rail revenues on maintenance of track and right-of-way. Nearly all the deferred maintenance reported in the 1970's has now been eliminated and the national rail system is now in much-improved condition. We expect that if the flexibility and incentives afforded the railroads by the Staggers Act are preserved, the railroads will continue to maintain their facilities, and the cycle of disinvestment and deferred maintenance of earlier decades will not be repeated.

INTERMODAL

Senator Andrews: How many railroads have applied for motor carrier authority? What will the effects on their rail operations be if they get involved in trucking? What are the likely effects on shippers of railroads getting into the trucking business?

Response: Since the Motor Carrier Act of 1980 was enacted, motor carriers affiliated with nine Class I railroads have requested and received expanded motor carrier authority. Four of these now have 48-State authority, and another request for 48-State authority is pending at the ICC.

The ICC's March 1981 exemption of piggyback traffic also exempts the rail-provided motor carrier portion of a continuous intermodal movement. Six railroads, including two of the nine mentioned above, have taken advantage of this significant change by making arrangements with owner-operators to complement their piggyback service. At least one other railroad (also among the nine) is expecting to initiate this type of operation in the near future.

If railroads become more involved in trucking, they will be able to offer a more complete transportation service, by using trucks for short and medium distances to gather traffic for long-haul rail business. Since the exemption of piggyback traffic from ICC regulation, railroads have been able to offer a total door-to-door intermodal transportation service to a wide range of shippers. Railroads will continue improving efficiency 1) by substituting truck for rail branchline service where it is more cost effective; 2) by aggregating sufficient traffic to justify additional high-speed piggyback trains; 3) by obtaining better control of equipment and costs.

Railroads will also be able to offer a range of services in accordance with customer needs. For example, railroad-provided trucks may be used for shipments not susceptible to rail transportation because of their high value, requirement for fast delivery time, diverse destinations, or because a convenient, high speed intermodal connection is unavailable.

As railroads enter the trucking business, and improve intermodal efficiency, shippers will be in a better position to take advantage of the inherent economies of intermodal transportation. Increased competition among transportation companies, offering the full range of services, will provide shippers more cost, schedule, and service options.

With railroads able to provide truck and rail service, shippers will be relieved from making separate billing, claims, shipment tracing, and scheduling arrangements with two or more companies for through movements and may be able to negotiate more favorable through rates.

BOXCAR EXEMPTION

Senator Andrews: What is your assessment of the reasons why the rail carriers did not aggressively support Conrail in the push for boxcar deregulation? What are the effects on small railroads of these deregulatory actions by the ICC? What are the effects for grain shippers?

Response: Conrail's original petition requested an exemption from regulation for all aspects of boxcar traffic, covering not only rail rates, but car hire and car service as well. Support existed for an exemption of rates, but almost all railroads and shippers were against a complete exemption of car hire/car service. It was felt that negotiating car hire/car service arrangements would be difficult at best, and interline movements would be chaotic without mandatory interchange. Conrail later modified its position to request that the Commission retain jurisdiction over car hire and car service while allowing railroads to assess charges for the movement of empty cars, reclamation of car hire, and negotiation of independent agreements with other railroads on per diem rates, empty movements, and storage.

Small railroads should not be harmed by boxcar deregulation. The flexibility provided by the exemption should allow these carriers, as well as all other railroads, to price

their boxcar services more competitively, stimulating the use of their equipment.

Grain shippers are not significantly affected by this exemption, since most grain now is shipped in hopper cars.

PLANS FOR MONITORING DEREGULATION

Senator Andrews: What are FRA's plans for monitoring and analyzing these deregulatory questions in the future? Perhaps you could provide us with a summary assessment of the effects on shippers and on the rail industry, particularly smaller carriers, of these ICC actions in six months?

Response: We will be following the actions of railroads and shippers very closely, to determine any changes to the rate structures for export coal and boxcar traffic which may result from the use of increased marketing flexibility. We will also be monitoring traffic levels for these commodities, and studying the effects on rail operating practices. We will be happy to provide you with the results of our analyses, but six months will not be enough time to provide an adequate assessment. While the ICC has voted to grant both of these exemptions, formal decisions have not been issued in either case. The Commission has said that the written decisions will be released within 90 days; the coal exemption will be effective 90 days from the date of the decision, and boxcar traffic will be exempt six months after the decision.

COAL SLURRY PIPELINES

Senator Andrews: Now that the ICC has set very favorable maximum guidelines for coal rates and has deregulated export coal rates, wouldn't the existence of coal slurry pipelines provide needed competition to tame the monopolistic activities of the railroads?

Response: The railroads do not hold a monopoly over transportation of coal. In order to grant an exemption of export coal, the ICC had to determine that railroads already face effective competition in that market and that regulation is not necessary to prevent abuse of market power. For domestic coal, the Commission retains jurisdiction over rates on traffic for which the railroads have market dominance, but the Commission and the Congress, in the Staggers Act, do not assume that railroads have market dominance over all their coal movements.

In fact, supply and demand conditions have restrained railroad coal rate increases in recent years. Between 1971 and 1981, the average minemouth pricing of coal per ton has increased approximately 20 percent faster than average rail revenue per ton of coal. Since the Staggers Act went into effect in October 1980, rail rates for coal as measured by the Bureau of Labor Statistics have increased

only half as quickly as during a comparable period before the Staggers Act.

It is not clear to what extent coal pipelines could provide an effective competitive alternative for rail shippers. Utilities or industrial firms contemplating construction of coal-fired facilities could negotiate with both pipelines and railroads for the most favorable rate and service package, prior to making a commitment to a particular coal source and carrier. Shippers have also suggested that the threat of diversion of existing traffic to pipelines could induce railroads to moderate their rates. However, available estimates do not demonstrate that coal pipelines would offer competitive or lower-priced service, based on the present annualized cost of constructing and operating a pipeline, compared to the present cost of rail service and reasonably expected rate increases.

In addition, once pipelines are in place, they will not provide active competition for railroads in most cases. Before most pipelines are constructed, the developer will have negotiated contracts with shippers securing sufficient volume to assure that the majority of the annual capacity will be used. The pipeline's contract shippers would then not be able to take advantage of competition, while little capacity would remain available to other customers, to act as an alternative to rail.

TRAILER-ON-FLAT CAR/CONTAINER-ON-FLATCAR (TOFC-COFC) TRAFFIC

Senator Andrews: During 1982, TOFC/COFC carloadings made up 10.4 percent of total carloadings. The only commodity with more carloadings was coal. What is the cause of these TOFC/COFC results for 1982?

Response: In 1982 TOFC/COFC carloadings were up 9.9 percent, while total rail carloadings were down 14.2 percent from 1981.

As a result of TOFC/COFC deregulation, railroads have been able to be more price and service competitive with motor carriers for long and medium- haul traffic. Railroads have gained business previously carried entirely over-the-road, by offering a complete door-to-door intermodal service, using rail provided motor carriers. Freight forwarders and shipper agents are making substantial use of piggyback, as its reliability, speed, service quality, and rates have improved with an increased number of dedicated trains.

In some cases, shippers have shifted from boxcar to piggyback to obtain a faster transportation service, better related to tighter production and distribution cycles.

Senator Andrews: What will be the impacts on these impressive statistics given increased limits for truck sizes and

weights? Were these impacts considered in the Department's deliberations on truck sizes and weights?

Response: TOFC/COFC carloadings may decline somewhat as a result of the increased limits for truck sizes and weights. Shippers and motor carriers of light or medium density products that tend to cube out (fill the volume of the trailer) before they weigh out (reach the weight limit) will be the primary beneficiaries of the productivity gains. Truckers moving these shipments in longer and wider trailers will be able to reduce rates and expand their markets at the expense of some railroads.

According to various studies, from 3 to 5 percent of susceptible rail traffic could be diverted to trucks as a result of the size and weight increases. (These estimates take into account the new higher user charges for heavy trucks.) Although some of this traffic (food, lumber, machinery, and general freight) moves via piggyback, much of it is currently moving in rail boxcars.

In order to minimize diversion, railroads will need to make major investments to improve the competitiveness of piggyback service. For example, as the new 48-feet long trailers are phased into intermodal service, longer flatcars will be needed. If TOFC/COFC profitability is eroded by traffic diversions, carriers may be reluctant to make new intermodal investments.

The diversion effects of permitting double trailers and disallowing States to establish weight limits below 80,000 pounds were considered in the Department's analyses of truck sizes and weights. The effects of longer and wider trucks were not explicitly considered in the DOT study.

The higher user charges for heavy trucks, which were strongly supported by the Department, tend to offset motor carrier productivity gains somewhat, but that effect is already taken into account in the diversion estimates. According to some observers, the new highway user charges will be insufficient to cover the costs of needed highway improvements. If further increases in user charges are enacted by Federal and State laws, TOFC/COFC could regain some traffic previously lost to the motor carriers.

BUS DEREGULATION

Senator Andrews: As you know, the bus industry was deregulated during the past year. What effects has Amtrak experienced because of bus deregulation?

Response: Bus deregulation may increase fare competition in large markets and decrease service competition to smaller cities. Neither area, however, is expected to have a major impact.

WAYBILL SAMPLE

Senator Andrews: The ICC's request for FY 1984 includes funding within the policy and analysis activity for processing of the waybill sample. Their budget includes some discussion about why FRA is no longer processing the waybill sample. Please explain why FRA chose to give up processing the waybill sample? What arrangements have been made with ICC to provide necessary waybill data to FRA? How much money will FRA save by not processing the waybill sample? How many positions will be unnecessary?

Response: Under the terms of a 1970 memorandum of agreement between FRA and ICC, FRA has been processing the annual submissions of sample waybills. However, the cost to FRA has increased to such an extent that it exceeds FRA's proportionate share of the costs under this agreement.

FRA, with ICC participation, instituted a number of changes during the past year that simplified the waybill process and reduced costs. Subsequently, at FRA's request, ICC agreed to accept responsibility for processing the sample waybills beginning with waybills for 1983. FRA's request was based largely on the fact that the sample waybill process is the result of ICC's exercise of its authority to require that railroads submit such data, as well as the fact that release of the sample waybill data outside the Federal government required ICC approval.

FRA plans to share the processing costs with ICC, and in return, ICC will provide FRA with a complete waybill tape. The savings in FY 1984 for FRA will be $245,000 from prior years' expenditures on this item.

Since the sample waybills have been processed under contract in the past, and ICC has indicated that they intend to continue this practice, very little direct Government employee time will be saved by the shift in processing to the ICC.

FINANCIAL EARLY WARNING SYSTEM

Senator Andrews: Last year you talked about a financial early warning system that you have. Do you still have such a system and how has it contributed to effective management of the FRA? How many positions are involved with this system?

Response: We still have an early warning system which we continue to improve. Information previously unavailable or difficult to obtain is now routinely used by FRA staff to follow industry trends and to assist in the preparation of staff reports. Financial data are supplied to other FRA offices and are used in the analysis of individual railroads. Through use of the financial early warning system, we have identified a small number of roads that we are continuing to monitor more closely.

Two senior analysts are the prime users of the system. They are assisted by two junior analysts. No individual is assigned full time to the system, since the early warning system is used as an analytical tool when data are periodically submitted by the railroads.

ADP COST REDUCTIONS

Senator Andrews: Your justification claims FRA saved about $6 million from elimination of certain ADP systems. Which systems were eliminated and what was the dollar value associated with each?

Response: Of the $6 million referenced in our budget justification, about $1 million resulted from greater efficiencies in ADP operations. The cost reductions were achieved through integration of ADP systems, consolidation of data storage requirements, reduction in prime-time processing, purchase of leased ADP equipment, use of Government facilities as first source of services, and transfer of some operations to the ICC and Amtrak.

The remaining $5 million are attributable to other Cost Avoidance, Reduction and Efficiency (CARE) program initiatives. These management actions included reductions in travel, space and storage costs, deobligation of funds from completed or unessential contracts, redirection of ongoing research projects, and other program improvements that enabled more efficient use of available funds.

TRANSFER OF THE TRANSPORTATION TEST CENTER (TTC)

Senator Andrews: I understand that TTC has been transferred to the Association of American Railroads (AAR). How many of your employees were hired on by the AAR?

Response: Of the 21 FRA employees at TTC in July 1982, one remains there working for FRA, four retired, three accepted positions with AAR at TTC, eight moved to other Government agencies, one went to state government, and the balance (four) went to the private sector, some after a period of unemployment. AAR also hired 193 of the 310 personnel who previously worked for FRA's prime contractor at TTC (Boeing).

Senator Andrews: What projects is FRA having done by AAR at the Pueblo facility? How much do each of these projects cost? Please break down these project costs by fiscal year for the record.

Response: Exhibit follows:

Project Description	Estimated Project Cost ($000's) by Funding Source			
	FRA			OTHER
	FY 82 (Actual)	FY 83	FY 84	FY 82-84
Facility for Accelerated Service Testing (FAST) and Related Testing	2,517	5,123	4,075	5,038
Dade County Transit Car Tests				395
Maintenance of Urban Mass Transportation Property				200
Covered Hopper Car Vibration Testing	25	375		489
Wheel Failure Mechanisms of Railroad Cars		1,650	634	
Roll Dynamics Dynamometer Evaluation		110	100	14
Niagra Frontier Transit Car Testing				300
Locomotive Track Hazard Detector		65		88
Dynamic Track Buckling Tests		200		
Vehicle Track Interaction Tests		427	140	
New Vehicle/Track Dynamic Systems Safety Evaluation			60	TBD*
Track Degradation Experiments		50	75	TBD*
Truck Wear Measurement Program		90		591
Truck Safety Performance Evaluation		140	100	150
TOTALS	2,542	8,230	5,184	7,265+

*To be determined

NOTES: "Other" funding includes funding from U.S. Army, Association of American Railroads, Urban Mass Transportation Administration, and industry.

A number of transit car tests are expected each year. The Dade County and Niagra Frontier tests shown in the table will be in FY 83. Two more are anticipated in FY 83. The number, schedule, and cost estimates were not available.

BID SELECTION - UNION STATION

Senator Andrews: Has the bid process for selection of a developer for Union Station gotten started? What is your time schedule for choosing a developer and actually beginning work on the station? How soon will the new passenger station be finished?

Response: The bid process has not yet begun. We plan to select a developer as rapidly as we can, consistent with doing the job well. The entire process of selecting a developer will probably take eight or nine months. Once the developer is selected, design and clean up work can begin. Construction work, of course, would have to await completion of final design. It will probably be five years before the new passenger station is opened.

NORTHEAST CORRIDOR IMPROVEMENT PROJECT (NECIP) MAINTENANCE

Senator Andrews: Obviously, Amtrak will be responsible for maintaining the Northeast Corridor. It would be a shame to allow the total Federal investment in this project to go to waste. Have you done any analysis to determine what annual maintenance costs will be for the Corridor after FY 1985?

Response: Analyses of annual Northeast Corridor maintenance costs are continuing. FRA and Amtrak agree that in order to maintain the track to the more exacting standards of high speed operations annual costs for FY 85 and beyond will increase above pre-NECIP levels. Exactly how much costs will increase is not known. However, the increase will be significantly less than the increased net revenue due to the overall improved condition of the track and the increase in ridership from the attractiveness of the service. Higher costs will, to some degree, be offset by the modern maintenance of way bases and equipment service facilities built by NECIP, and the fact that Amtrak is using lighter train equipment on the Corridor today than that used prior to and during the early years of NECIP.

Senator Andrews: How much of Amtrak's budget is for Corridor maintenance in FY 1984?

Response: Amtrak's FY 1984 budget for Corridor maintenance is $100 million.

ATLANTIC CITY-PHILADELPHIA LINE

Senator Andrews: The Rail Service Safety Act of 1982 directed that $10 million FY 1983 NECIP funds be reserved for the Philadelphia-Atlantic City Line. Has this $10 million been reserved? What has the impact been on other NECIP projects of this $10 million reservation?

Response: Ten million dollars of NECIP funds have been reserved in 1983 and will be made available if Amtrak and New Jersey DOT agree on a feasible plan to improve Philadelphia-

Atlantic City rail service. The FRA will ask Amtrak to recommend which construction projects will be dropped from NECIP to accommodate this work. While Amtrak has not made a decision on the exact project or projects to defer, a list of candidate projects include: Union and Warren Street Bridges in New Jersey; Portal Bridge in New Jersey; electrical and mechanical work in New York Tunnels; Boston Service Facility; and other bridge rehabilitation projects.

NORTHEAST CORRIDOR IMPROVEMENT PROJECT (NECIP)

Senator Andrews: You are requesting $100 million for NECIP in FY 1984 and you expect to turn all responsibility for the Corridor over to Amtrak by the end of FY 1985. At the time of transfer to Amtrak, just which construction projects do you anticipate will not be completed?

Response: We anticipate that at the end of FY 1985 the following construction projects, although well underway, will not be completed and therefore transferred to Amtrak: Track Reconfiguration in the Baltimore area; Boston Service Facility, Catenary Upgrading between New York City and New Rochelle, New York; Signal System Installation; and, the Washington Service Facility. Since Amtrak is already administering these projects the transfer will be simple.

In addition, the Federal Railroad Administration has entered into a number of cooperative agreements, in which State and local agencies undertake the construction of facilities involving NECIP funds and State or local funds. Several of these are unlikely to be complete by the end of FY 1985. These are Boston South Station, Providence Rail Relocation Project, the Wilmington Station Parking Garage, and the Southwest Corridor Project in Boston. We expect that only a few months of work will remain on these projects at the end of FY 1985.

Senator Andrews: Please provide for the record a table showing annual appropriations and obligations (actual and projected) for NECIP for the fiscal years 1976 through 1985.

Response: The following is a table of annual appropriations and obligations (actual and projected) for NECIP for fiscal years 1976 through 1985.

(Dollars in Millions)

Actual

	1976	1977	1978	1979	1980	1981	1982
Approp.	$50.0	$200.0	$400.0	$455.0	$350.0	$350.0	$170.0
Oblig.	$20.9	$203.1	$320.5	$440.3	$336.5	$277.6	$307.8

Projected

	1983	1984	1985	Total
Approp.	$115.0	$100.0	-	$2,190.0
Oblig.	$183.3	$100.0	-	$2,190.0

403(b) AND (d) SERVICE

Senator Andrews: Have you estimated what the savings for Amtrak would be if the States were required to build-up to a 100% funding level on a graduated schedule - say 75% of long term losses in the first year with a 5% annual increase until you get to 100%. Please provide any of these estimates you may have for the record.

Response: Under a formula requiring State payment of 75% of long term avoidable losses and associated capital costs, the States' share would increase above the current level by about $13 million in Fiscal Year 1984, to a total of $35 million. Each additional 5% increase above the 75% level would yield about $2.8 million (1984 dollars) in increased State payments (based on the current set of 403(b) routes).

Based on the Administration's current proposal, the States with Amtrak-operated commuter service would begin paying 100% of 403(d) costs or approximately $8.1 million (the States are not, at present, paying any such costs). Under a 75% base formula with 5% annual increases to 100%, the States' share would initially be $6.1 million with subsequent yearly increments of $405 thousand (based on 1984 dollars and the current set of 403(d) routes).

DEBT RETIREMENT

Senator Andrews: What other ways exist for retiring Amtrak's $880 million debt? What are the budget impacts of the alternatives for debt retirement?

Response: Other possible ways for retiring Amtrak's debt include direct forgiveness with elimination of the Department of Transportation's guarantee, repayment thrcugh appropriations and default. All the options have associated budgetary implications and no single option has emerged as the optimum solution. Forgiveness would be an off-budget transaction with no effect on reported budget levels. Repayment and default alternatives would be on-budget and require an appropriation, thus raising budget authority and deficit levels by the amount of principal and interest paid.

INTEREST PAYMENTS

Senator Andrews: On October 1, 1983, Amtrak owes interest to the Federal Financing Bank (FFB) of about $200 million. Amtrak proposes issuing preferred stock to FFB in lieu of making the payment. DOT would then buy the stock from FFB. Will this proposal end once and for all Amtrak's debt problem?

Response: Yes. All of Amtrak's guaranteed debt would be retired and no new guaranteed debt could be issued after that.

Senator Andrews: What are the impacts on the budget for Amtrak, DOT, and the FFB of this preferred stock exchange?

Response: If Amtrak's proposal is enacted unchanged, Amtrak would be able to meet its interest and principal obligations on the Section 602 loans without paying cash. The Department would be required to buy the preferred stock from the FFB. In order to purchase the preferred stock from the FFB, the Department would first have to issue promissory notes to Treasury. An appropriation to the Department would be required to liquidate the promissory notes to the Treasury. The budgetary effect would exceed one billion dollars when all of Amtrak's Government guaranteed obligations were liquidated.

CAPITAL PROGRAM

Senator Andrews: Amtrak's FY 1984 request of $800 million includes a capital grant of $148 million. The FRA's FY 1984 request for Amtrak includes a somewhat smaller amount for capital of $68 million. Please explain how these two requests can be reconciled.

Response: The Department and Amtrak agree that $68 million is adequate to support the capital requirements of the current national rail passenger system. Beyond this basic agreement, the $80 million difference is made up of capital add-ons associated with Congressionally-sponsored projects which are not included in Amtrak's basic budget.

The four Congressionally-sponsored projects not included in our budget request are:

-Shelbyville Line	$25M
-Atlantic City Line	30M
-West Side Connection with New York Penn Station	20M
-Attleboro-Hyannis, Massachusetts Line	5M
	$80M

ALASKA RAILROAD

Senator Andrews: Last year you discussed the Alaska Railroad's profit expectations related to coal export contracts. The actions of the ICC during the first week of March should make these profit expectations even brighter. What has the Alaska Railroad's experience been with coal exporting?

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Response: The Alaska Railroad competes not only with coal exporting railroads in the lower 48 states but also with exporters in other countries. It is expected that competition for export coal will become even more intense and that the ICC actions will not have a significant effect on the Railroad's revenues. The Railroad has to date carried very little coal for export but expects to begin moving significant amounts in 1985.

Senator Andrews: Have these contracts contributed significantly to the Railroad's financial condition? What are the effects of the ICC's deregulation of export coal rates on the long term profitability of the Railroad?

Response: The Korean coal contracts have not contributed to the Railroad's financial condition since the coal is not expected to move until 1985. While the Railroad is expected to compete for additional export coal, it is not clear whether it will be able to successfully compete in the market with other exporters in the U.S. and abroad.

Senator Andrews: As USRA assigns a value to the Alaska Railroad, how will the recent ICC decision be considered in view of the Railroad's South Korean contracts?

Response: USRA is aware of the South Korean coal contracts and will consider the projected revenues derived and the costs associated with the move in its valuation of the Railroad.

Senator Andrews: FRA is required to report to Congress along with the State of Alaska on the properties and obligations of the Alaska Railroad to be transferred to the State. What is the status of this report?

Response: FRA has developed a team to write the report with a similar team created by the State of Alaska. We expect to have a draft ready for clearance by both the State and Federal Government by June 1 and plan to meet the statutory deadline of July 14 for delivery of the report to the Congress and the Alaska State legislature.

Senator Andrews: USRA is required to conduct valuation of the Alaska Railroad prior to its transfer to the State. What is FRA's involvement in the USRA valuation study?

Response: The only direct involvement FRA has in the USRA valuation is the payment to USRA of $600,000 out of the Alaska Railroad revolving fund for the valuation work. FRA is also making available to USRA any information it deems necessary to perform the valuation.

Senator Andrews: If the Alaska Railroad is not tranferred to the State, will there be any need for FY 84 funding?

Response: The Alaska Railroad has been able to meet its expenses out of revenues from its operations and we expect that it will do the same in 1984. We see no need for an appropriation in FY 84.

Question Submitted by Senator Cochran

MISSISSIPPI-ALABAMA-LOUISIANA RAPID RAIL TRANSIT COMPACT

Senator Cochran: Last year, Congress passed PL 97-213, a bill to provide Congressional consent to the Mississippi-Louisiana Rapid Rail Transit Compact to allow the created commission to go forward with the necessary feasibility study. That study has been completed, with the assistance of the Department of Transportation, AMTRAK and the Federal Railroad Administration, and is favorable. The Commission has asked for my assistance with exploration of AMTRAK's demonstration train program.

Can you provide me with a history of this program? When and where have demonstration trains been used to determine ridership and economic feasibility? Have successful passenger train lines resulted from demo trains? With AMTRAK's knowledge of the Mississippi-Louisiana-Alabama Rapid Rail Transit Commission, do officials of AMTRAK feel that a demo train is appropriate as an additional exploration of feasibility or should the Commission proceed immediately to exploration of funding under section 403(b) of the Rail Passenger Improvement Act? Can officials of the FRA address the same questions tailored as necessary regarding the 403(b) program?

Response: The 403(b) program began in 1976 and authorizes State and local transportation authorities to contract with Amtrak for rail passenger service not provided by the Amtrak national system. Currently, eight States sponsor a total of fourteen 403(b) routes.

Initial 403(b) services in the Los Angeles-San Diego and New York City-Buffalo corridors were quite successful, and some of the scheduled trains in both services were later incorporated into the Amtrak system.

At the request of State officials, the Mississippi-Louisiana-Alabama proposal could be operated as a 403(b) service. Under the Administration's proposed legislation and budget, funding would not be an issue, as the requesting States would fund the service's operating losses and capital requirements. However, the States and Amtrak would have to agree on the details of the operation of such a service.

National Railroad Passenger Corporation (Amtrak)

Questions Submitted by Senator Andrews

OPERATING CREW TAKEOVER

Senator Andrews: Would this [a takeover of off-corridor T&E crews] require a legislative change? A report, similar to the one you prepared a year ago, on the advantages and disadvantages of a takeover by Amtrak of all of its operating crews would be helpful. An outline of the necessary steps to implement a crew takeover should be included. Please provide us with such a report by June 1 of this year.

Response: At this time, we do not anticipate a need for legislative change in our strategy for taking over train and engine crews. The absence of legislative impediments will permit us to proceed with the takeover under the Rail Passenger Service Act, as we have done with thousands of non-operating employees in the past. It is possible, however, that our strategy may have to be adjusted as this project evolves, and we would like the Congress to remain interested and available to address any legislative changes which may become necessary.

A report such as you recommend would be a good forum to readdress this issue; however, we would be able to supply a more comprehensive report in the fall of this year.

HIGH SPEED RAIL DEVELOPMENT

Senator Andrews: Amtrak loaned $750,000 to the American High Speed Rail Corporation over one year ago. Interest will be due to Amtrak on October 1 of this year. What is the current status of this loan and how much will Amtrak receive in October?

Response: Under the loan agreement, American High Speed Rail Corporation (AHSRC) currently owes Amtrak the full amount of $750,000. This amount plus accrued interest is due on January 1, 1984. Interest continued to accrue at prime rate and amounted to $33,000 as of January 1, 1983. If the loan remains outstanding until maturity we would project total interest to be $110,000.

Senator Andrews: How has interest from this loan been accounted for in the Amtrak request in FY 1984?

Response: The interest expected to be earned on this loan in FY 1984 is included in interest income in our FY 1984 budget justification.

Senator Andrews: How likely is it that American High Speed Rail would receive additional financial assistance from Amtrak?

Response: I don't anticipate any further financial assistance by Amtrak to AHSRC.

Senator Andrews: Along these lines, how do you define the current relationship between Amtrak and American High Speed Rail?

Response: Amtrak has recently agreed to grant to American High Speed Rail Corporation (AHSRC) a license to operate high speed rail service between Los Angeles and San Diego. In consideration of this license and of the role Amtrak played in establishing AHSRC, Amtrak will receive preferred stock in AHSRC entitling us to representation on AHSRC's board of directors and will receive a licensing fee comprising a fixed annual payment plus a percentage of net annual revenues. Accordingly, our relationship is one of licensor and preferred stockholder. The license agreement is limited to the single Los Angeles-San Diego route.

TAMPA-ORLANDO-DISNEY WORLD-MIAMI

Senator Andrews: What is the status of the study on developing a hi-speed rail corridor between Tampa and Miami?

Response: The Japanese Railway Technology Corporation (JRTC), a subsidiary of the Japanese National Railroad (JNR) has spent the past several months developing a preliminary engineering study of bullet train service between Tampa and Miami. We expect that study to be completed early this fall.

RIDERSHIP

Senator Andrews: Amtrak's operating grant is based on projections for ridership, revenues, expenses and inflation. Amtrak estimates revenues available in FY 1984 of $769 million. What are the ridership projections for FY 1984? Does FRA agree?

Response: The projection for FY 1984 is 19.7 million passengers. As FRA has agreed to our operating grant requirement, I would assume they agree to the revenue projection but I believe the FRA should respond to this question.

Senator Andrews: How does this level of ridership compare to the levels of the past five years? What kind of marketing activities are planned to increase ridership?

Response: The following schedule reflects the ridership information requested:

	(Millions)
FY 78	18.9
79	21.4
80	21.2
81	20.6
82	19.0
83 (est.)	19.1
84 (est.)	19.7

In FY 1984, Amtrak will continue to exploit improvements in its services in order to increase ridership and revenue. Northeast Corridor marketing efforts will be directed towards improved levels of business ridership as speeds continue to improve. On long-distance trains, our marketing efforts will be directed towards generating additional ridership during the off-peak periods when surplus capacity is available. Additional programs will be directed towards increasing Amtrak's share of travel agency sales by making travel agents increasingly aware of our improved product. On shorter-distance routes, our emphasis will be towards improving consumer knowledge of Amtrak's product.

Senator Andrews: How did the various marketing programs in the past two years affect ridership?

Response: Amtrak marketing programs in the past two years can be described in three major categories. Certain programs were directed at improving the level of service available to our passengers to gain ridership. In the Northeast Corridor, Express Metroliner Service was introduced between New York and Washington and New York and Boston to attract a larger share of business travelers. During the first year of the program, New York-Washington Metroliner Service revenue per train mile was up almost 25 percent. Express service was also introduced in the Albany-New York corridor. New services were introduced in conjunction with VIA Rail Canada to Toronto from both New York and Chicago. These new services required no additional trains, but we expect the provision of through service will generate almost 100,000 new riders annually. The second category of marketing programs involved the use of promotional fares to generate ridership during weak periods of the year or along portions of routes which had weak ridership. Route-specific programs were conducted on routes in Texas, Virginia, California, Florida, Georgia, Alabama, Mississippi, and Connecticut. In addition, a special excursion fare program was conducted during the Winter of 1982 to generate ridership on long-distance routes in the Eastern portion of the United States during a weak traffic period. Finally, route-specific advertising programs emphasizing features of existing service were conducted on several routes. These include short-distance routes radiating from Chicago, the City of New Orleans, Northeast Corridor to Canada routes, the Cardinal, and the Pennsylvanian. All of the above programs were developed to complement national advertising to build consumer awareness of Amtrak's improved product. With these programs, Amtrak has been able to counteract somewhat the effect of the recession on systemwide ridership. Although the entire travel industry has felt the impact of the recession, Amtrak continues to maintain its position as the sixth largest intercity passenger carrier.

In the 15-month period from September of FY 81 to December of FY 83, an index of Amtrak passenger miles declined 13.3 percent. During the same period, however, an index of Amtrak revenues increased 1.8 percent. This contrasted with a 2.6 percent decline in a similar index for major domestic airlines. While Amtrak marketing programs are oriented towards generating additional ridership where appropriate, the primary emphasis is on increased revenues directed towards Amtrak's revenue-cost ratio.

INTEREST PAYMENT

Senator Andrews: On October 1, 1983, Amtrak owes interest to the Federal Financing Bank (FFB) of about $200 million. Amtrak proposes issuing preferred stock to FFB in lieu of making the payment. DOT would then buy the stock from FFB. Will this proposal end once and for all Amtrak's debt problem?

Response: Amtrak proposes to issue preferred stock to the FFB for both the $200 million of interest due on October 1, 1983 and the principal amount of $880 million, including guaranteed leases, which will be outstanding at this time. This approach would "clear the books" of Amtrak's guaranteed debt and the associated interest costs. The following draft language to amend Section 602(k) appears to be the most acceptable solution to the problem:

> "(k) On and after September 30, 1983, the Corporation may from time to time issue preferred stock at par to the Federal Financing Bank in order to: (i) repay principal and pay interest owing to the Federal Financing Bank; (ii) fund the obligations of the Corporation under leases guaranteed by the Secretary pursuant to subsection (a) of this section; and (iii) fund the acquisition by the Corporation of title to any cars or locomotives under such leases. The Federal Financing Bank shall accept such preferred stock in full payment of principal and interest owed by Amtrak or as total consideration for funding the obligations of the Corporation under leases guaranteed by the Secretary pursuant to subsection (a) of this section or for funding the acquisition by the Corporation of title to any cars or locomotives under such leases. While the United States or any agency or instrumentality thereof holds such preferred stock, the Secretary shall exercise the rights of the United States as a shareholder in the Corporation. Upon satisfaction by the Corporation of all obligations guaranteed by the Secretary as provided in this subsection, the authority of the Secretary to guarantee obligations of the Corporation under this section shall expire."

Senator Andrews: What are the impacts on the budget for Amtrak, DOT, and the FFB of this preferred stock exchange?

Response: Amtrak is of the opinion that under the proposed amendment to 602(k), whereby we would issue preferred stock to the Federal Financing Bank in exchange for the debt outstanding, there would be no budget impact for Amtrak, DOT or the FFB. For Amtrak and the FFB, it would simply change capital and investments, respectively, from debt to equity. DOT is relieved of its obligations to the FFB and the guarantee is cancelled.

DEBT RETIREMENT

Senator Andrews: What other ways exist for retiring Amtrak's $880 million debt? What are the budget impacts of the alternatives for debt retirement?

Response: Amtrak has identified three other options listed below for debt retirement and their respective budget impacts.

1. Legislation that directs the Treasury Department (through the Federal Financing Bank) to lend money interest free to Amtrak until all program obligations are liquidated, at which time the loan would be written off Treasury books. This would recognize the fact that the loan would not be repaid and write-off is in order. It also eliminates the budget processing of appropriations for programs that are substantially executed. There would be no impact on cash withdrawals from the Treasury beyond those contemplated by the guaranteed loan authority.

2. Appropriate $1,075 million to liquidate the guaranteed loan authority and deferred interest thereon.

   This would be the highest level "on budget" solution, providing a capital grant to substitute for the guaranteed loan authority and an operating grant for the deferred interest. Budget obligations and outlays would be reflected in a current year for programs that had already been executed in prior years. Net cash flow impact on the Treasury would be immediately paid to Treasury. No real budgetary control would be imposed by this option.

3. A phased retirement of the guaranteed loan authority and deferred interest.

   This would reinstitute the procedure used in FY 1978 and FY 1979 of gradual debt retirement. Under such a plan, which is an "on-budget" transaction, interest expense would continue on the outstanding debt balance. Amtrak's annual authorizations and appropriations would have to be increased to accommodate these requirements.

Senator Andrews: How are the practical effects of Amtrak's preferred stock proposal different from what would occur if Amtrak defaults on these payments and DOT, as Amtrak's guarantor, pays the FFB?

Response: Section 602(e) of the Rail Passenger Service Act, as amended, authorizes appropriations for DOT to discharge guaranteed obligations. Section 602(f) requires the DOT to seek appropriations under 602(e) to fulfill its obligations. Therefore, a default would become an on-budget expenditure for DOT, requiring appropriated funds. Under the proposed amendment, no appropriations are required. In addition, Amtrak has other financial arrangements which could be declared in default if we default in any other debt obligation. This would severely ham-

per any future efforts to employ financing from the private sector.

REVENUE ENHANCEMENT

Senator Andrews: Please describe the diversification activities you have undertaken to date. What initiatives do you have planned for the rest of FY 1983 and for FY 1984?

Response: First of all, I don't consider that Amtrak is engaged in any diversification program. We are following the standard railroad practice of utilizing our railroad assets to enhance our revenues in ways not inconsistent with their utilization for our primary railroad objectives. Within these limitations we are involved in several revenue enhancement programs.

- In the area of real estate, in addition to general and ongoing efforts to improve revenues from tenants, we are undertaking significant efforts to improve our future revenue base.

- A program to market and develop unused and under-utilized station properties for commercial/revenue generating purposes is being successfully implemented. During the first half of FY'83 we have completed a comprehensive inventory of owned station properties and an assessment of development potential. We have reached agreement on major joint development projects at Hartford, Connecticut; Harrisburg, Pennsylvania; and Indianapolis, Indiana.

- In cooperation with the Federal Railroad Administration, we are developing marketing plans for commercial development at the Baltimore and Newark stations. Both of these stations are being extensively renovated through the NECIP program and will be available for commercial development in 1983 -- Baltimore scheduled for July 1983 and Newark scheduled for October 1983.

- Early in the fiscal year, we signed an agreement with MCI for the use of our NEC right-of-way between Washington and New York for the development of a fiber optics telecommunications system. This agreement will save Amtrak the expense we would have incurred otherwise of developing our own fiber optics system for traffic over the corridor segment -- an expense estimated at $9 million -- and is expected to save Amtrak $1 million per year in our own communications costs. Amtrak will receive a lease payment of $4.4 million for this arrangement and will be able to sell to others any surplus circuits provided by MCI.

During FY'82 the Corporation entered into its first commercial contract to overhaul and refurbish commuter equipment. This contract involved fifteen commuter cars which were overhauled to specifications furnished by the New York Metropolitan Transportation Authority. Recently, the Corporation partici-

pated with four other companies in a New York City Transit Authority (NYCTA) pilot project. Each firm overhauled four R-36 subway cars. We performed the work at our Beech Grove facility. Amtrak has also responded to Requests for Quotations issued by the New York City Transit Authority and the Massachusetts Bay Area Transportation Authority. Amtrak was not the low bidder on these contracts, and they were awarded to others. In developing bids for these orders, we are careful to follow the costing methodologies we have reviewed with GAO and Congress and ensure that all costs associated with the orders, including overhead, are covered.

A concerted effort is being made to lease and/or sell surplus equipment to both commuter agencies and private companies. This is a simple matter of protecting past federal investments.

Amtrak is also interested in transit car assembly. We have begun to assemble the first pair of cars built by an Italian concern, Breda Costruzioni Ferroviarie, under a three-year contract. This agreement involves the assembly of 294 cars destined for delivery to the Washington Metropolitan Transportation Authority.

During the remainder of FY'83 and FY'84, Amtrak will continue to pursue business opportunities that are consistent with our fundamental passenger transportation mission and that we can pursue on a fair and equal footing with private sector competitors. Among the areas we will explore are the following:

- o Mass transit car assembly;
- o Mass transit car overhaul;
- o Telecommunications;
- o Marketing of selected communications capabilities and computer software packages;
- o Equipment leasing and sale; and
- o Cogeneration at selected sites.

EVACUATION PROCEDURES

Senator Andrews: The FRA recently completed a report entitled "Emergency Procedures Training of On-Board Passenger Train Personnel." The report is basically a summary of the emergency training programs for Amtrak personnel and contains no conclusions or recommendations. How effective is Amtrak's emergency training program?

Response: We feel that through the initial training of all train crew personnel as well as all on-board personnel during FY'83 and continuous retraining in subsequent years, Amtrak's Emergency Training Programs will be very effective if employment of such skills is required by an occurrence. We plan to conduct spot checks whereby we will simulate emergencies and verify the continued alertness of our personnel, as well as having regular refresher training from time to time.

Senator Andrews: Now that Amtrak has taken over all Northeast Corridor operating crews, should the emergency training be

changed? If so, what are your plans for a changed instruction program?

Response: No, all Northeast Corridor operating train crews will be trained in the existing Emergency Procedures during FY'83. In fact, our safety training will be given to all train crews, whether they are employees of Amtrak or of our contracting railroads.

CAPITAL PRIORITIES

Senator Andrews: Mr. Claytor, in your justification you infer that some $80 million worth of projects in your capital program are Congressionally directed. What you must mean is that these projects would not, in your normal planning process, make your priority list. What are Amtrak's priorities for capital projects? How are these priorities decided? Does FRA generally agree with your priorities?

Response: Annually, Amtrak, through its planning process, develops and revises its corporate goals. This sets the basis for the priorities by which the capital projects are measured. Capital programs are then evaluated based on their contribution to these corporate goals. From this prioritized list, an annual capital plan is then developed for approval by Amtrak's Board of Directors, on which FRA is represented. Our base capital program for FY 84 of $98 million reflects our priority capital projects and is outlined in detail in our budget justification.

FOOD AND BEVERAGE SERVICE

Senator Andrews: We all understand that quality food and beverage service contributes to stable ridership. The Committee urged Amtrak to explore innovations in food and beverage service in our FY 1983 Report. What kinds of things has Amtrak looked into as ways to continue to decrease the deficit related to on-board food and beverage service?

Response: Amtrak has concentrated on improving the quality of food offered on our trains. We have added fresh eggs and pancakes for breakfast, added a fresh sandwich and improved our dinner entrees. We have also replaced the plastic utensils in our diners with stainless steel flatware and added silk flowers to the tables. In addition, we are adding larger convention ovens to our Amcafes and diners which will enable us to further expand our flexibility in our menu content by reducing our current reliance on microwave preparation and its limitations. With these and other changes, we have seen our dining and buffet revenues increase. We are currently refining our computerized labor assignment system to provide the most efficient crew assignments in accordance with our recent labor contracts. This will replace our existing individual crew manual systems and enable us to staff our trains more effectively nationwide and thereby reduce costs. We contracted with an outside agency to review our food service on the trains and used its findings to improve our equipment and procedures for better preparation of

the food products we offer. We have begun purchasing standard food items under annual contracts to obtain the lowest price possible. We are tightening our network of crew bases to eliminate overhead and facility costs.

Senator Andrews: What was your deficit for FY 1982 and what are your projections for FY 1983 and FY 1984?

Response: The dining and buffet deficit for FY 1982 was $28.1 million, down 51% from FY 1981. Our projections for both FY 1983 and FY 1984 indicate that we will comply with the legislative requirement to eliminate the deficit. In doing this, we allocate to on-board food service no more than 10% of applicable ticket revenues as suggested by the House Appropriations Committee Report (August 19, 1982).

403(b) AND (d) SERVICE

Senator Andrews: Have you estimated what the savings for Amtrak would be if the States were required to build-up a 100% funding level on a graduated schedule - say 75% of long-term losses in the first year with a 5% annual increase until it gets to 100%. Please provide any of these estimates you may have for the record.

Response: As of October 1982 we projected that FY'84 State payments would increase by $36 million if Amtrak recovered 100% of long-term operating losses plus 100% of associated equipment capital for 403(b) services and 100% of long-term operating losses for 403(d) services.

Using this $36 million as the target, a graduated build-up (stated in constant FY'84 dollars) is as follows, assuming the States continue to support the same level of service:

Year	Billing %	Increase Over Projected FY'84 State Payments
FY'84	75	$27.0 Million
FY'85	80	$28.8 Million
FY'86	85	$30.6 Million
FY'87	90	$32.4 Million
FY'88	95	$34.2 Million
FY'89	100	$36.0 Million

Alternatively, if Amtrak recovered 100% of short-term avoidable operating losses plus 100% of associated equipment capital for 403(b) services and 100% of short-term operating losses for 403(d) services, we project that FY'84 State payments would increase by $19.5 million.

Using this $19.5 million as the target, a graduated build-up (stated in constant FY'84 dollars) is as follows, assuming the States continue to support the same level of service:

Year	Billing %	Increase Over Projected FY'84 State Payments
FY'84	75	$14.6 Million
FY'85	80	$15.6 Million
FY'86	85	$16.6 Million
FY'87	90	$17.6 Million
FY'88	95	$18.5 Million
FY'89	100	$19.5 Million

AMTRAK PERSONNEL

Senator Andrews: Mr. Claytor, there have been numerous ads for positions at Amtrak in both the Washington Post and the Wall Street Journal over the past 3-4 months. At the same time you have stated that any vacancy must be rejustified to you before being filled. Which positions have you turned down?

Response: We have advertised since January 1, 1983 five times in the Washington Post and once the Wall Street Journal. The positions that were advertised are for highly technical and skilled positions which we were not able to fill from within the Corporation nor through our normal recruiting methods.

On July 29, 1982, I advised the Executive Staff that all management vacancies (active, inactive, new positions) would require my personal approval.

For example, the following positions have been disapproved by me in the last few months:

Personnel Clerk
Human Resource Planner
2 Secretaries
2 Nurses
4 Senior Secretaries
Analyst Revenue Accounting
Director - Product Line Mgt.
General Supervisor Payroll
Manager - Fiber Optics Development
Project Accountant
Director - Communications Marketing
2 Associate Accountants
Manager - Employee Publications
State and Community Affairs Officer
2 Network Controllers
Administrative Specialist
Production Engineer
Project Engineer
Project Controller
Claims Agent
Reservation Information Supervisor

TOTAL: 28

Senator Andrews: How many people are employed at your Headquarters now? How many vacancies exist? What are your Headquarters staffing projections for 1983 and 1984?

Response: As of February 28, 1983, 904 people were employed at Amtrak's Headquarters and there were 51 vacancies. Our Headquarters staffing projections for the end of fiscal years 1983 and 1984 are:

1983: 920
1984: 897

As of March 15, 1982, I have abolished an additional 32 positions corporate-wide. I am also reviewing and considering abolishing 46 more positions.

ANNUAL ROUTE RESULTS

Senator Andrews: Section 404(c)(4)(C) of the Rail Passenger Service Act requires Amtrak to evaluate each of its routes on an annual basis to determine whether the route meets the criteria for continued service or whether special efforts are needed to improve performance. This year, the report identified four routes which require special efforts. What kinds of actions will be taken to improve performance of these routes?

Response: A number of general and specific marketing actions have and will be taken to improve performance of routes requiring special efforts. The Cardinal and the Empire Builder, both long-distance trains, have and are expected to continue to benefit considerably from our off-peak national special fares--the "Anywhere" and the "All Aboard America" fares. These fares are designed especially to encourage long-distance travel on routes in and to and from the West. The "All Aboard America" fare is expected to increase ridership on the relatively shorter Eastern long-distance routes and will benefit trains such as the Cardinal. The Cardinal route has received additional advertising support, as will the Hoosier State. We are increasing advertising for the Mount Rainier route and offering a special discount rental car and hotel room program for travelers who purchase a rail ticket for this route.

Senator Andrews: How much will these "special efforts" cost Amtrak? What staffing resources will be required?

Response: About $80,000 is being spent directly on the routes plus about $280,000 of the other marketing activities are directed towards markets served by the four routes. No specifically identifiable staffing resources are being spent on these routes since all of our advertising is performed by our agency, and the cost of its time is included above. Amtrak personnel direct and monitor these activities along with all other activities for other routes and services.

Senator Andrews: How much additional revenue and ridership do you expect to achieve on these routes?

Response: Our projections indicate that 30,000-50,000 additional passengers and $1-1.5 million in additional revenue will be achieved above what would otherwise have been anticipated from these routes.

BUS DEREGULATION

Senator Andrews: As you know, the bus industry was deregulated during the past year. What effects has Amtrak experienced because of bus deregulation?

Response: Amtrak historically has not been able to identify a significant relationship between actions in the bus industry and effects on Amtrak patronage or revenues. Since deregulation, no further impact has been identified.

CAPITAL PROGRAM

Senator Andrews: Amtrak's FY 1984 request of $800 million includes a capital grant of $148 million. The FRA's FY 1984 request for Amtrak includes a somewhat smaller amount for capital of $68 million. Please explain how these two requests can be reconciled.

Response: Amtrak and the Administration agree that $68 million in additional capital funds for Fiscal Year 1984 would be adequate to fund Amtrak's capital program requirements, provided the following actions are approved by the Congress:

1. In Fiscal Year 1983 legislation the Congress directed that the Atlantic City track reconstruction ($30 million) be funded from the existing NECIP program, and the Westside Connection be financed in the amount of $30 million from Amtrak's capital programs. Amtrak has funded the first $10 million for the Westside Connection in its Fiscal Year 1983 capital program, leaving $20 million to be provided to complete the program in Fiscal Year 1984. If these items are otherwise funded, the capital funding request for Amtrak can be reduced by $50 million to $98 million.

2. In its action on the Fiscal Year 1983 budget, the Congress earmarked Amtrak capital funds for the Shelbyville track reconstruction ($25.0 million) and Hyannisport track reconstruction ($5.0 million). If Amtrak is allowed to apply these funds toward our 1984 request, the capital request can be reduced by an additional $30 million to the total of $68 million as requested by the Administration.

In summary, Amtrak's capital request for Fiscal Year 1984 is $148 million, making a total budget request of $800 million. To the extent that the capital items are funded from other sources or Amtrak is relieved from earmarked projects for Fiscal Year 1983, Amtrak is prepared to reduce its capital request accordingly.

REVENUE ENHANCEMENT ACTIVITIES

Senator Andrews: How much revenue has Amtrak earned on diversification activities during the past year? What are your estimates for the future, particularly FY 1984?

Response: As I have noted heretofore, we are not diversifying our business as a conglomerate corporation would but are attempting to utilize our railroad assets to enhance our revenues where this is consistent with our primary transportation function.

Contributions from revenue enhancement activities, excluding safe harbor leasing, are as follows:

Actual:

Fiscal Year 1982 - $100 Thousand

Estimates:

Fiscal Year 1983 - $2.1 Million
Fiscal Year 1984 - $3.1 Million
Fiscal Year 1985 - $6.4 Million

Senator Andrews: Mr. Claytor, you have stated that Amtrak has been "extremely careful not to use federal grants" in Amtrak's revenue diversification activities. How do you finance these activities?

Response: Our revenue enhancement projects are self-supporting. The proceeds from all ventures to date have had a positive financial contribution. They not only have covered their direct costs but have also contributed their share of overhead costs and produced a profit. This separation has been confirmed by independent auditors, and is a principle that will continue to be followed for all future ventures.

While the need to make capital investments in connection with these projects has not yet arisen, this requirement would also be financed by the proceeds from nonfederal sources.

SAFETY

Senator Andrews: Last June, a fire on an Amtrak train resulted in two deaths, and 54 injuries and smoke inhalation problems. What is Amtrak's safety record?

Response: Amtrak's passenger fatality rate for the past ten years is as follows:

1973 - 1
1974 - 0
1975 - 0
1976 - 1
1977 - 0
1978 - 0
1979 - 0
1980 - 1
1981 - 0
1982 - 3

Senator Andrews: Amtrak has a Safety Department to plan and implement programs to insure safe operation. What kinds of programs have been initiated by the Safety Department? What are your plans for the rest of FY 1983 and for FY 1984 and what are the related costs?

Response: Amtrak's Safety Department has initiated Emergency Procedures Training programs for Superliner, Amfleet, Heritage, Metroliner and Turboliner equipment. This training is mandatory for all operating train crew personnel as well as on-board personnel and was begun early in FY 1983.

In addition, Amtrak's System Safety Program has been developed and implemented throughout our system. This Safety Program establishes the general safety requirements for all activities and operations of Amtrak. The program was begun in 1979 and is continuously updated to be responsive to the safety of our passengers, employees and equipment.

Retraining in these programs as well as courses in First Aid will continue in FY 1984 and subsequent years. Such training-related costs for FY 1983 will be $150,000 and will be $170,000 in FY 1984.

COMMUTER OPERATIONS

Senator Andrews: As of January 1, 1983, Amtrak is providing commuter service to Maryland DOT. This service was formerly provided by Conrail. What are Amtrak's projected revenues for this service? Is Amtrak in a position to take over other commuter service if the situation warranted?

Response: The Commuter Rail Passenger Services Agreement that we have with Maryland Department of Transportation will mean approximately $1.7 million in 1984 revenue to Amtrak. This agreement covers the operation of Maryland's NEC commuter trains and includes such items as passenger equipment maintenance, train operation, ticket sales, passenger handling, the Washington Terminal Company operation and NEC access and use. (Some of these items had been provided to Conrail when it operated the service for Maryland.)

Amtrak aggressively pursued this agreement with Maryland and made a similar proposal to Newark, Delaware, and Philadelphia, Pennsylvania. To the extent we operate any commuter services on our Northeast Corridor railroad, we should be fully compensated and paid in advance for such operations.

NECIP

Senator Andrews: How much does Amtrak currently spend on maintenance for the Northeast Corridor? What are your plans and projections for the next five years?

Response: Amtrak plans to spend approximately $93.2 million in FY 1983 for Northeast Corridor maintenance. On a constant FY

1983 dollar basis, we plan to spend approximately $100 million in FY 1984. We anticipate that this level will require some increase beyond FY 1984 to maintain track standards for high-speed service, but there has been no valid expenditure in this country of maintenance costs for this kind of high-speed operation. Therefore, we will have to feel our way on this as we go along.

SHELBYVILLE LINE

Senator Andrews: Amtrak is required to set aside $25 million of the $700 million appropriated for FY 1983 for possible use on the Indianapolis-Cincinnati route (Shelbyville Line). What items in your capital program have you had to defer or not do in order to preserve $25 million?

Response: Amtrak only requests funding for its most urgent capital needs or those needs that we feel cannot be deferred. Projects are deferred every year because Amtrak's annual capital budget is usually far less than our actual capital requirements. Because of this, Amtrak has a long list of projects that go unfunded each year, which could easily be justified based on their return on investment or to satisfy legal, safety and environmental concerns, as well as to improve service. We have never gone through the exercise of determining which projects would be dropped from the annual capital budget based on various proposed funding scenarios. Consequently, we have never attempted to identify specific projects that were not initiated because Amtrak was directed to reserve $25 million for possible use on the Shelbyville Line and $5 million for the Attleboro-Hyannis, Massachusetts, line in the FY 1983 Transportation Appropriations Act. If Amtrak were released from the funding restrictions contained in the FY 1983 Transportation Appropriations Act, we would apply the $30 million to projects identified in our FY 1984 capital program which has been provided to the Committee and would be able to reduce our FY 1984 grant request by $30 million.

RAILROAD RETIREMENT

Senator Andrews: Amtrak has pointed out the potential liability related to increases in contributions to railroad retirement. If such increases occur, would Amtrak look toward a FY 1983 supplemental? What about the possibility of using operating surpluses or carryover?

Response: By the time any legislation regarding railroad retirement is enacted, its impact on Amtrak would be minimal because over one-half of the current fiscal year would have expired. Therefore, we would not plan to seek supplemental funds for this item for FY 1983.

SCHEDULING

Senator Andrews: Please provide for the record the justification for your recent decision to reroute the San Francisco Zephyr.

Response: Amtrak has evaluated the merits and feasibility of rerouting the San Francisco Zephyr between Denver and Salt Lake City via the Denver and Rio Grande Western (D&RGW) Railroad. We believe that the ridership, revenue and financial performance improvements associated with this rerouting justify its implementation, and we seek Board approval to proceed accordingly.

The Zephyr currently utilizes Union Pacific tracks for 576 miles between Denver and Ogden via Cheyenne and Rock Springs, Wyoming, serving an en route population of 185,000. The alternate route is the 570 mile D&RGW route between Denver and Salt Lake City. Although this route has a lower en route population of approximately 100,000, it gives Amtrak gateway access to such important Colorado and Utah vacation destinations as Vail, Aspen, Steamboat Springs, Winter Park ski areas, Rocky Mountain National Park, Canyonlands National Park, Arches National Park and Catarach Canyon, Whitewater Rafting Area. It is 3¼ hours longer than the Wyoming route, but it contains some of America's most spectacular mountain scenery and would in our view improve significantly the marketability of the Zephyr.

The D&RGW segment was the highlight of the traditional route of the "California Zephyr." Because D&RGW did not elect to join Amtrak when it was formed in 1971, Amtrak was unable to preserve this routing and instead chose the current Wyoming route. Since then the D&RGW has operated a passenger train three times a week from Denver to Salt Lake City, but schedules have been such that it could not be a part of Amtrak's through route. In the last few months, however, we re-opened negotiations with the D&RGW that resulted in their agreeing to accept the current standard Amtrak operating contract over this route. On February 7 and 8, 1983, Amtrak Superliner equipment was successfully operated on regularly scheduled D&RGW trains #17/18, the Rio Grande Zephyr. Among other operational issues, this test demonstrated the sufficiency of two F-40 locomotives to make schedules with 14 cars over the mountainous D&RGW route. We are accordingly now in a position to re-route this train through the Colorado Rockies and to restore the most attractive portion of the popular old "California Zephyr" route.

Expected revenue increases associated with the reroute will more than outweigh the increased operating costs (fuel, on-board service wages, supplies, etc.) caused by the increased running times and steeper grades of the D&RGW route. The revised schedule will also improve arrival/ departure times at Omaha and Denver, and will offer for the first time direct service to Salt Lake City on the Zephyr.

We project that rerouting the Zephyr will have the following financial impact:

	FY 83 $ (millions)
Increased revenues	$3.3
Increased costs	1.7
Decreased federal subsidy	$1.6

The rerouted Zephyr (including its Desert Wind/Pioneer branches) will also improve certain critical performance measures:

	Rev/ Cost	PM/ TM	Avoid. Loss/ PM
Present Zephyr/ Desert Wind/ Pioneer	.54	158	5.6¢
Rerouted Zephyr/ Desert Wind/ Pioneer	.57	167	5.1¢

On the basis of these performance projections, Amtrak reached agreement with the D&RGW to begin regular operation on April 24, 1983.

Question Submitted by Senator Cochran

NEW ORLEANS - MOBILE SERVICE

Senator Cochran: Last year, Congress passed PL 97-213, a bill to provide Congressional consent to the Mississippi-Louisiana Rapid Rail Transit Compact to allow the created commission to go forward with the necessary feasibility study. That study has been completed, with the assistance of the Department of Transportation, Amtrak and the Federal Railroad Administration, and is favorable. The Commission has asked for my assistance with exploration of Amtrak's demonstration train program.

Can you provide me with the history of this program? When and where have demonstration trains been used to determine ridership and economic feasibility? Have successful passenger train lines resulted from demo trains? With Amtrak's knowledge of the Mississippi-Louisiana-Alabama Rapid Rail Transit Commission, do officials of Amtrak feel that a demo train is appropriate as an additional exploration of feasibility or should the commission proceed immediately to exploration of funding under Section 403(b) of the Rail Passenger Improvement Act?

Response: The original demonstration program, in which the Secretary designated one long-distance route each year, was more significant in Amtrak's early history. We now have a successful 403(b) program with the purpose of adding routes of regional interest by sharing costs between Amtrak and the states served.

Amtrak is unable to add routes that increase Federal subsidy requirement unless specific funding is provided.

Routes added under the original experimental program included the North Coast Hiawatha, San Joaquin, Lake Shore Limited, Mountaineer, Shenandoah and Pioneer. Due to poor financial performance all of these routes except the Lake Shore and Pioneer were dropped from the basic system. The San Joaquin service was assumed by California under the 403(b) program when Federal funding ended.

The only train added under Section 404(g) (short distance - under 200 miles; sufficient Amtrak resources; linking two or more major population areas) is the Hoosier State between Indianapolis and Chicago. At present this route is suffering low ridership after a highly successful initial period, but Amtrak hopes the economic recovery will bring it back into conformance with financial criteria.

Amtrak does not feel that the demonstration train is an appropriate or likely vehicle for testing the proposed route in question. The relatively poor economic forecast for this route and the high cost for initiation suggests it should be a 403(b) service.

Questions Submitted by Senator Sarbanes

CONCERNING NORTHEAST CORRIDOR

REVENUE EFFICIENCY

Senator Sarbanes: What specific criteria is used to determine if a conventional train is revenue efficient? What specific criteria is used to determine if a Metroliner train is revenue efficient? If different, why is the criteria different?

Response: The Congressional criteria of loss per passenger mile and passenger mile per train mile (there is no specific criterion for revenue alone) do not apply to the Northeast Corridor operation. I feel strongly that we should be using solely the economic criterion by which to judge a train's performance. I should like to continue to use the PM/TM criterion as an analytical piece of information for all trains, but it is not a valid indicator of a train's performance. We can drive the PM/TM figure up or down by reducing or raising fares, but the economic indicator (loss per passenger mile) remains a more accurate indicator of a train's performance. As a matter of interest, passenger mile per train mile for Metroliner services is 110 with a profit per passenger mile of 4.5¢. This compares favorably with the economic performance of long-distance trains.

Senator Sarbanes: Is the cost/revenue ratio calculated for each specific train? or are all Metroliners calculated together?

Response: The revenue-cost ratio is normally calculated for services as a whole. The revenue-cost ratio for Metroliner service is 108%, indicating a profit on short-term avoidable costs.

FEASIBILITY STUDY

Senator Sarbanes: Has a survey of ridership on the Northeast Corridor been conducted in 1982?

Response: Amtrak conducts periodic traveler surveys on all our services including the Northeast Corridor. Surveys were conducted in 1982 in the Northeast Corridor.

Senator Sarbanes: If not, when was the last ridership survey completed? Is it available for public viewing?

Response: All of our survey work is considered proprietary and confidential for competitive reasons. Under the circumstances, information from the surveys cannot be disclosed without compromising the confidential nature of sensitive marketing data.

Senator Sarbanes: What was the basic objective of the study? i.e., to provide information about potential riders or to back up the present schedule?

Response: The objectives of the study were to assess our passengers' trip characteristics, their attitudes about travel, and their assessment of Amtrak, in order to enable us to tailor our services to their requirements and so attract more business. The study was not intended to back up the present schedule, but traveler attitudes about schedule convenience were solicited among other factors.

Senator Sarbanes: What were the results of the last survey? Specifically concerning ridership on an early non-Metroliner train leaving Washington at 6:00 a.m.

Response: As indicated in the previous question, the survey did not deal with specific schedule patterns in the Northeast Corridor. Hence, no information was generated with respect to an early non-Metroliner Service train from Washington.

Amtrak generally does not use surveys to determine schedules of trains. Scheduling decisions are based on actual ridership patterns and evaluation of previous schedule changes. Subsequent answers explain why no non-Metroliner train is operated before 6:30 a.m.

Senator Sarbanes: What sampling method is used to contact the target market (potential riders)?

Response: Several methods are used to survey potential riders; however, the primary means is through random telephone surveys in Amtrak-served markets during evening and weekend hours. Potential interviewers are determined to have made an intercity trip within a certain period in the past before they are considered to be potential Amtrak riders.

Senator Sarbanes: When considering the addition of an earlier non-Metroliner train leaving Washington at 6:00 a.m., what criteria would be used to determine potential riders?

Response: The potential ridership on an early non-Metroliner Service train would be based on our previous studies of trip purpose as well as a review of ridership patterns on other services. Non-Metroliner Service carries a substantial number of discretionary riders who generally are less speed sensitive and more price sensitive than business travelers using Metroliner Service. We have found that discretionary riders consistently prefer departures after 8:00 a.m., and the expected demand for a non-Metroliner Service train leaving Washington before 6:00 a.m. would be extremely low. It should also be noted that the 6:00 a.m. Metroliner Service train is operated primarily for traffic originating in Wilmington and Philadelphia but does originate in Washington to serve the relatively small business market desiring early departures from Washington and Baltimore as well as reflecting the location of equipment at the Washington terminal since the Metroliner Service trains terminate there on the previous evening.

Senator Sarbanes: How many riders would be necessary to justify an early non-Metroliner train?

Response: If traffic patterns on an additional 6:00 a.m. non-Metroliner Service train were similar to those on other trains in the Northeast Corridor, approximately 230 passengers in each direction would be required in order to cover the $2 million annual cost associated with this train. The probability of achieving this level of ridership is extremely low. As indicated earlier, ridership falls off sharply from early morning departures, and very little new traffic would likely be generated from Washington or Baltimore. Philadelphia would be the most likely source of additional traffic; however, this market is already served by multiple trains originating in Philadelphia around the time that such a service would operate. In the southward direction, this train would not generate substantial new revenues since Amtrak already offers half hourly service between New York and Washington from 6:00 in the morning to 6:30 in the evening, and any additional train would have to be operated during a relatively weak traffic period.

SCHEDULING

Senator Sarbanes: When changing the schedule each spring and fall, what are the principal factors governing these changes?

Response: The basic bi-hourly pattern of Northeast Corridor service has been established for many years. Most changes in Northeast Corridor service are determined by the impact of the NECIP work program which affects running times as seasonal changes in location and scope of work are made. In addition, special changes in the schedules such as the Express Metroliner Service and New England Metroliner Service are made periodically in order to exploit improvements made as a result of NECIP track work.

Senator Sarbanes: Is any consideration given to maintaining schedules around the specific time frame (8:00 a.m. - 5:00 p.m.) for people who use the train for work?

Response: As stated in previous questions, demand for Amtrak services is heaviest in the 8-10 a.m. departure period, and schedules are designed to reflect this pattern. Trains do originate at major terminals before this time in order to satisfy somewhat smaller demand during earlier periods as well as positioning the trains to serve intermediate points at the most appropriate times. For example, the earliest Metroliner Service trains originating in New York and Washington at 6:00 a.m. are dependent on heavy traffic loadings at Philadelphia and Wilmington which are reached much closer to the peak travel period.

Questions Submitted by Senator Weicker

NORTHEAST CORRIDOR BRIDGES

Senator Weicker: Has a study ever been undertaken to determine the ownership of these (Northeast Corridor) bridges?

Response: Amtrak has taken the position that the highway bridges crossing Amtrak rail lines were not conveyed to Conrail or Amtrak as part of the rail properties designated for conveyance by the United States Railway Association under the Regional Rail Reorganization Act. In effect, the bridges continue to be owned by whoever owned them prior to April 1, 1976, when the Penn Central Transportation Company properties were conveyed to Conrail and Amtrak. Amtrak is unaware of any studies Penn Central may have undertaken in connection with the question of ownership of highway bridges. In any event, under applicable state and local laws, ownership of the bridges appears to be not necessarily disposition of the significant issues relating to responsibility for repair and maintenance.

Senator Weicker: What role do you see the Federal Government, Amtrak, and the states each having in ensuring that these bridges are properly maintained?

Response: Amtrak believes that state and local governments should be primarily responsible for repair and maintenance because the principal purpose of building these bridges was to facilitate the movement of vehicular and pedestrian traffic. Amtrak also believes that federal and state highway funds should be earmarked for repair and maintenance of the bridges which cross Amtrak rail lines. Amtrak's role should be that of an adviser to state and local governments with respect to special railroad operating concerns such as catenary support and clearance, load limits, and drainage.

Senator Weicker: Do you have any recommendations for how this Committee might resolve the question of ownership?

Response: As noted above, the question of ownership is not necessarily disposition of the basic issue of responsibility for maintenance and repair. Amtrak recommends that federal legislation be enacted: 1) to require state and local authorities to repair and maintain the bridges crossing Amtrak's rail lines; or 2) to impose a uniform federal standard for repair cost allocation among the interested parties. The federal standard should limit Amtrak's exposure to 15% of repair costs and relieve Amtrak of any obligation to fund on-going maintenance costs. If Amtrak were to be exposed to the risk of having to meet a higher burden under various state laws, state and local highway authorities would in effect have an indirect access to federal funds not expressly authorized by the Congress.

Senator Weicker: What is Amtrak's current estimate of the cost for repairing these bridges?

Response: Amtrak estimates that repair, removal, and replacement costs will total approximately $100 million in 1982 dollars.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now adjourn until Tuesday, March 22, at 10 o'clock, when we will hear the Federal Highway Administration.

[Whereupon, at 11:33 a.m., the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 22.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 22, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Abdnor, Chiles, and Byrd.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

STATEMENT OF RAY A. BARNHART, ADMINISTRATOR

ACCOMPANIED BY:
LESTER P. LAMM, DEPUTY FEDERAL HIGHWAY ADMINISTRATOR
RICHARD D. MORGAN, EXECUTIVE DIRECTOR

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning we have the privilege of hearing from Ray Barnhart, the Federal Highway Administrator. Mr. Barnhart, welcome back. You know the rules. Your statement will be submitted in full, for the record.

Mr. BARNHART. Thank you, sir.

We would like to submit a statement for the record, since you have limited time this morning. With me are Les Lamm, our Deputy Administrator, and Dick Morgan, our Executive Director, and we will be pleased to respond to any questions you have.

PREPARED STATEMENT

I want to express our appreciation for the passage of the new act in that lameduck session. It has some liabilities to it, but on the whole, I think it is a superb step forward in a most meaningful way, and I think it is a fine piece of legislation. We are going to have some problems on implementation. We will need your perseverance and help as we wade through some of the problems of implementation, and they are substantial, and I suspect we will be discussing some of them this morning.

[The statement follows:]

STATEMENT OF RAY A. BARNHART

It is a great pleasure to appear before this Committee again to present the F.Y. 1984 Budget Estimate of the Federal Highway Administration. I feel that the relationship between FHWA and this Committee has been very cooperative and constructive, and I look forward to a productive hearing. Accompanying me are the FHWA program managers who will provide the expertise required in responding to inquiries regarding the many areas of interest to this Committee. Since I will call upon them to expand on my remarks and provide details, I would like to introduce them at this time:

1982 Surface Transportation Assistance Act

Our F.Y. 1984 Budget Request is based on the 1982 Surface Transportation Assistance Act, Public Law 97-424. This act, as you all know, substantially increased authorizations for the highway program as well as providing a set-aside from the Highway Trust Fund for capital mass transit. I believe that it is the most important piece of transportation legislation enacted in many years, and I believe that you on this subcommittee who supported and advanced this legislation should be complimented for both your farsightedness and courage. Some of the highlights of this act are:

- Increases in authorizations for Interstate Construction and Interstate 4R;
- An increased Interstate Transfer Grants authorization with trust funded contract authority within the Federal-aid program for highway programs;
- An increased authorization for the Bridge Replacement and Rehabilitation program, permitting more progress towards correcting this serious problem;
- Increased funding for Federal-aid Primary program, reflecting the major traffic service function of these highways
- Authorizations for Urban, Secondary, Safety Construction and various other categories, generally at the same levels as in recent years;
- Establishment of coordinated Federal Lands Highway program;
- A minimum allocation which establishes 85% of Trust Fund contributions as a "floor" for new apportionments for donor States;
- A temporary matching fund waiver;
- New budget authority for a Motor Carrier Safety Assistance program;
- A 5 cent increase in motor fuel charges, and adjustments to other highway user fees;
- An extension of the Highway Trust Fund through F.Y. 1988.

The bill provides the capital investment necessary to begin rebuilding our highway system, some added flexibility to State and local governments, underscores the user fee method of paying for highway and capital transit improvements, and will significantly benefit our economy through increasing transportation efficiency and creating an estimated 320,000 new jobs directly attributable to or induced by additional highway construction and transit capital projects.

I might also add that we are off to a good start in administering this act. I am proud of the fact that the FHWA apportionments to the States, as well as distribution of the obligation limitation were made on January 6, the very same day the bill was signed by the President. Furthermore, the States are already using the increased funding. Obligations during January totalled over $900 million, and increased last month to nearly $1.1 billion, the highest ever recorded for the month of February.

F.Y. 1982 Accomplishments

I have been the Federal Highway Administrator for more than two years now and I feel that I know the programs and people very well. Simply put, I believe that FHWA is the finest organization within the Federal establishment. Before discussing our F.Y. 1984 budget request, I would like to mention a few of the F.Y. 1982 accomplishments I consider noteworthy as well as some of our emphasis areas for the current and future years.

o Program Level

Obligations for "Federal-aid Highways" in 1982 reached approximately $8.2 billion, making F.Y. 1982 the third highest year for obligations.

o Interstate System

An additional 296 miles were put into service and another 137 were put under contract, leaving only about 1,151 miles to be completed.

o Interstate 4R

Resurfacing, restoration, rehabilitation and reconstruction were again emphasized--obligations for these activities totalled about $578 million.

o Bridge Replacement and Rehabilitation

In the Highway Bridge Replacement and Rehabilitation program, obligations amounted to $979 million in 1982.

o Highway Safety

Approximately $318 million were obligated for the various highway safety programs in 1982.

o Motor Carrier Safety

During F.Y. 1982, management audits of hazardous materials shippers and motor carrier safety practices increased by 25 percent together with a continued high level of vehicle inspections. This resulted in a larger number of unsafe vehicles and drivers being placed out of service.

o FHWA Minority Business Enterprise

During F.Y. 1982, contracts totalling $425.5 million were granted to minority firms and $242.7 million in contracts were awarded to firms owned and controlled by women. These amounts represent very dramatic increases in FHWA participation in these programs and I am very proud of our progress.

o Highway Inflation

Last year, I reported good news to this subcommittee on inflation in the highway construction industry, when costs fell about 3.9%. The news continues to be good. During

calendar year 1982, highway construction costs, as measured by our Bid Price Index, decreased more than 6.3% when compared to calendar year 1981. While several factors contributed to this decrease, I believe that FHWA's administration of the program as well as the Reagan Administration's success in combatting overall inflation have contributed greatly to our recent sucess in controlling highway inflation.

o Cost Avoidance Reduction and Efficiency (CARE)

FHWA, as part of its management improvement efforts, continues to emphasize the implementation of a cost avoidance reduction and efficiency program (CARE). This program, which was initiated in F.Y. 1981 has produced very positive results. During 1982 total reported savings or cost reductions amounted to almost $315 million which exceeded FHWA's total administrative expenses. I wonder if any other agency can make this statement?

Current and Future Emphasis

In fiscal years 1983 and 1984, we will continue our efforts to fully implement the programs and activities of national interest which Congress identified in the 1982 STA Act. Several of the required changes, such as the vehicle size and weight provisions, the Buy America requirements, and the MBE program expansion will require continued attention by FHWA. In addition, we will concentrate on:

- Cost Avoidance, Reduction, and Efficiency
- Pavement Management
- Adoption of Technology Transfer
- Quality and Cost Effectiveness in Design, Construction and Operations
- Highway Safety
- Transportation of Hazardous Materials by Highway
- Utilization of Human Resources

Summary of the Budget

I will now summarize our F.Y. 1984 Budget Estimates, highlight a few key elements, and indicate the underlying philosophy of our requests.

Program Levels

The program levels or obligations are the most meaningful indicator of budget activity. We anticipate total obligations of about $13.4 billion which includes about $13.3 billion for the Federal-aid highways account; $80 million for the Appalachian Highway System; $13 million for Motor Carrier Safety account, and $10 million for Motor Carrier Safety Grants.

Key Elements

o Federal-aid Highways

This, of course, is our principal program which provides the basic foundation of the Government's efforts to assist States and localities in developing the national highway system.

For F.Y. 1984, we are proposing an obligation limitation of $12.6 billion with Emergency Relief and various other projects and programs being exempt. This limitation is $1.0 billion more than the $11.6 billion proposed for F.Y. 1983 and dramatically more than the F.Y. 1982 limitation of $8.072 billion.

Our F.Y. 1984 budget for this account is based on the 1982 Surface Transportation Assistance Act. As I stated earlier, this act greatly increased highway authorizations, emphasized early completion of the Interstate System, and placed high priority on reconstruction and rehabilitation of existing highway systems.

o Appalachian Highway System

The amount of our request for this program is $80 million in F.Y. 1984 to be appropriated from the Highway Trust Fund for which authorizing legislation is being submitted to the Congress.

o Motor Carrier Safety

Our request for the on-going motor carrier safety program is $13.0 million. Program activities will concentrate on high risk motor carrier operations, particularly those transporting hazardous materials, and to provide safety equipment and hazardous cargo training and technical assistance to State enforcement agencies. Our budget also includes a request for $10.0 million for Motor Carrier Safety Grants. This program, authorized by the 1982 Surface Transportation Assistance Act, would provide grants to States for enforcement of Motor Carrier Safety program standards.

o General Operating Expenses

This account provides funding for virtually all of the salaries, expenses, and research and development programs of FHWA. While total obligations are coming down in F.Y. 1984 by about $1.2 million, our request for F.Y. 1984 limitation is $202.7 million compared with $191.2 in F.Y. 1983.

As always, the change from one year to another is the result of numerous "gives and takes." Increases result primarily from inflation, a separate new authorization for MBE, and minor increases in other administrative contract programs. Offsetting these increases are decreases for Skill Training, Rural Transportation, and personnel savings.

o Other Details

There are several programs which I have not mentioned yet, but are noteworthy. Let me discuss them briefly now:

Highway-Related Safety Grants - The 1982 STA Act provided authority in the amount of $10 million for this program for F.Y. 1984 through 1986. Our F.Y. 1984 budget proposal is to utilize the program amount and obligation limitation provided; therefore, a liquidating cash appropriation is requested.

Right-of-Way Revolving Fund - As part of the Administration's overall effort to assure prudent management of Federal credit programs, an F.Y. 1984 $30,000,000 limitation on gross obligations is proposed. This limitation is not expected to impede program progress.

PURPOSES OF HIGHWAY TRUST FUND REVENUE INCREASE

Senator ANDREWS. That is right. One of the problems that I have with my colleagues is in this whole matter of highway funding. You can imagine why.

Mr. BARNHART. Yes, sir.

Senator ANDREWS. Many of them said they stayed around just before Christmas to vote for that bill, and that is just the beginning of the story. But frankly, last year when we discussed the proposals for a nickel-gas-tax increase, you made it clear, Mr. Barnhart, that you opposed efforts made to direct that money simply to balance the budget rather than put it into the program, and those, of course, were your direct quotes. Well, now we have the 5-cent increase shortly coming, but you initially sent up a budget that set highway obligation limits at $500 million and $150 million, respectively, that are lower than the levels in the Surface Transportation Assistance Act.

Were not then these reductions just ways to balance the budget? And what did you do to oppose the OMB on these cuts?

FISCAL YEAR 1983-84 OBLIGATION LIMITATION

Mr. BARNHART. I would like to have Les Lamm respond to that, Senator, because I think there is a legitimate area of debate on that $500 million as well as on the $150 million. I do not think that we have in fact reneged or attempted to use these moneys in order to balance the budget.

I do think it is a legitimate area of debate. I will state quite frankly, though, that with the needs of the program, I personally applaud the efforts to go at the higher level, but that is a subjective opinion.

Senator ANDREWS. Yes, certainly there is an area of debate. Whether it is legitimate or illegitimate is one of those things that we have got to find out. But it is a real concern, because some of the people across the country felt that additional tax was going to be returned to them in dollars to take care of their transportation needs.

FHWA EXPEDITIOUS ADMINISTRATION OF 1982 STA ACT FUNDS

Mr. BARNHART. In fact, we have done that, and you would remember that on the 85-percent minimum, there is an additional $515 million that is then added to the program that had not been anticipated before, but I would like to have Les go into that.

I would point out one other thing. During the debate, we told the Congress and the country that we would make every effort to expeditiously get this money into the system even though the taxes would not begin to take effect until April 1. We have done that, and I am very pleased to say that on the day that the President signed the bill, we had another ceremony over in our office in which we actually sent those allocations out to the States.

In January, we put out over $900 million to the States, the second highest January in the history of the Federal highway program. In February, we set a new record of $1.1 billion in obligations. We anticipate something around $1.2 billion this month, and I think you will

see that we are in fact keeping our word on getting those obligations out to create jobs, and addressing the problems of the deteriorating highway system.

Les, would you explain our position on the dollars?

RATIONALE FOR OBLIGATION LIMITATION

Mr. LAMM. Mr. Chairman, Mr. Barnhart has really explained the rationale, but when the administration bill was sent to Congress last year, we proposed a funding level for 1983 of $11.1 billion, and when the bill came out of the Congress as it was finally enacted, we got a $12.1 billion program for 1983 plus that $515 million, 85 percent minimum share that Mr. Barnhart mentioned.

So, when we went back to OMB for our final budget marks for this fiscal year, there was an add-on, frankly, of $1.5 billion over the November legislative proposal and that was discussed with OMB. The end result was that our recommendation for the fiscal year program level was $500 million less than the Congress passed, but still roughly $1 billion higher than the President had originally asked for for 1983.

Senator ANDREWS. Well, right after you transmitted those highway program reductions, which are below what we anticipated them to be, then the administration talked about joining the Congress on a job stimulus bill, including stepped-up highway spending. You know, we are like a yoyo. We go up and down on this same issue.

What level of highway obligations do you think the States can commit this fiscal year?

STATE CAPABILITY TO OBLIGATE FEDERAL HIGHWAY FUNDS

Mr. LAMM. Back in November of last year, AASHTO conducted a survey and found, on the basis of data from 38 States, that they could use $11.9 billion and $13.7 billion during 1983 and 1984. Since the legislation was passed, we do not have, nor does AASHTO have a revised estimate, and revisions are necessary because some of the States were anticipating larger individual program amounts than we actually got.

For instance, one figure I remember was that there were estimated to be perhaps $300 million to $400 million worth of bridge discretionary projects ready to go, but when we got the legislation, the amount of funding for bridge discretionary projects was $200 million, so that that part of the estimate would have to be modified from some of the States.

Frankly, our estimate has been that the program level which we are proposing, which was proposed in the budget, would be the $11.6 billion plus the $515 million 85-percent minimum share and other exempt programs would be achievable by the States, and even that requires $1 billion a month in obligations, which is the rate that we have not historically been able to carry for any length of time in the highway program.

So, it is by no means a foregone conclusion that even the numbers that are in the President's budget would be fully utilized during 1983.

FACTORS INFLUENCING HIGHWAY OBLIGATIONS

Senator ANDREWS. Well, how do we get them so they can be fully utilized?

Mr. LAMM. A lot of the influences are outside of Washington control. For instance, some of the States require extra leadtime to get a pipeline of projects ready to go that is 50 percent higher than they had been dealing with up before 1981. In several other States, there are problems with obtaining State matching funds. In perhaps several urbanized areas, we may very soon have an additional hurdle of the Clean Air Act sanctions which EPA has discussed that could be possibly implemented during calendar year 1983.

So that a lot of the problems which may hold back individual projects are not related to fiscal control or the budget numbers themselves.

I-395 IN WASHINGTON, D.C.

Senator ANDREWS. Well, some of the things that happen after we build are things that cannot help but confuse the taxpaying individual in this country. For instance, here in the Capital City we have the massively expensive bit of interstate construction that went under the front of the Capitol, and bubbles up into nothing but a traffic jam, while another mile or so that has been finished for, what, 5 years, 6 years, is used for a gigantic parking lot down there, and just is not finished.

You know, this committee has kind of taken the side of the District for a long time in putting some money in Metro and highways and the other things, but maybe the only way we can send a message to them to open that strip and use it for what it is supposed to be used for is to begin holding back funds until they begin to realize some type of utilization out of this massive investment.

It is idiotic for the constituents of those of us who represent the 50 several States to come into this city and take a look at that much completed interstate that they cannot drive on. What is the program for that? What kind of oversight do you have?

I was reminded of it when you mentioned that a lot of these things are situations over which you have no control, that local authorities have control, but this certainly is not a showcase of how we ought to build highways, when you build a highway and then encapsulate it as a parking lot for 6 or 7 years after you have finished construction.

NEW YORK AVENUE TIE-IN PROJECT

Mr. LAMM. We would agree with you, Mr. Chairman, and we have been working with the D.C. Transportation Department. As I understand it, there is one remaining project from the northern terminus of the section you are talking about to tie into New York Avenue, which, under the revised interstate system that the District has right now, would be the northern terminus of Route 395, and we have talked with the Director of the D.C. DOT and we expect that that project will be coming through.

I can assure you, it is embarrassing to those of us at the Federal Highway Administration, too, to see projects where the State and we

have directed a lot of staff effort to get completion of one segment and then find that for one reason or another that segment is not usable. We certainly try through our own scheduling with the States to make sure that situation does not occur.

Senator ANDREWS. But it creates a terrible bottleneck while we are sitting there and not using that investment. I would imagine that that is—well, a $1 million piece of highway that is utilized for a parking lot, and not even used very well for a parking lot.

Mr. BARNHART. I would agree with you, Mr. Chairman.

Senator ANDREWS. Has anybody done any traffic studies on that—I would assume they have—on the wisdom of deadheading it all on New York Avenue, or are you going to do something on New York Avenue to expand its carrying capacity, so that when you finally finish this, you are going to have enough, shall we say, traffic flowability to take that flow off of this interstate and onto New York Avenue?

Mr. LAMM. That particular segment of the interstate system was originally intended to be main line Interstate 95, and it would have continued straight north parallel to Georgia Avenue and New Hampshire Avenue and come out at the beltway on the interchange with I–95 that is existing now, and you would have been able to go straight through and pick up the stretch that leads to Baltimore.

But with the deletions from the interstate system that the District of Columbia has processed through the 1970's, they have had to go back and look at what their final as-built interstate system will look like, and the additional work to tie in that segment to New York Avenue did require some changed designs that they have been working on.

Again, that is not an excuse. It is a reason. But it is not an excuse for that as-built section sitting there. We do not like to see that happen.

CONSTRUCTION AND COMPLETION OF D.C. INTERSTATE

Senator ANDREWS. When do you think the section will be completed to New York Avenue?

Mr. MORGAN. Mr. Chairman, I believe that is scheduled to go into construction late this summer or early this fall. Completion, probably a couple of years.

Senator ANDREWS. But then the construction and or—well, design first and then construction will have to begin on New York Avenue.

Mr. MORGAN. I do not know what the District's plans are for New York Avenue. They have indicated they would take care of the problems, but we are still going to have signalization on New York Avenue, and it is not going to be an interstate facility.

Senator ANDREWS. Maybe there is second thinking going on, wondering whether or not they would be better off just taking that thing back up to the beltway and getting rid of all that darn traffic instead of shoving it down Washington streets.

Who knows? Times change. Maybe somebody will have a rethink. But that chunk of interstate sitting down there unused is one of the lousiest—I have five or six people call it to may attention every year, and that is a lot, because, you know, it is difficult to get them down

there to even see it. But when they notice it, they say, this is an outstanding example of how idiotic government spending practices are.

They say, you know, if the District of Columbia does not want highways around here, why do we not spend on highways out where we appreciate highways and are willing to drive on them, and use them for what they are supposed to be used for.

Along that line, last year you told the committee that 382 additional miles of the interstate had been put into service. This year you report that during fiscal 1982 only 296 miles were completed. Why the 23-percent decrease? Are we reaching the point where the last 1,150 miles of interstate are going to be accomplished at a declining rate?

CLOSING REMAINING GAP MILEAGE

Mr. MORGAN. The last 1,100 miles of so-called gaps will be, I believe, much more difficult to complete than the first 41,000 miles, simply because most of them are in urbanized areas. They are highly expensive, complex projects.

Mr. LAMM. However, this year we can tell you with certainty that with the dollars that Congress authorized for interstate completion in the 1982 act, the interstate will be completed by the funds that are made available in fiscal year 1990, and prior to the 1982 legislation, we were in a period of uncertainty. For several years during the late 1970's, even though we were obligating nearly $3 billion for interstate highways each year, we were not keeping up with the added cost to complete that was caused by inflation impacts.

But with the redefinition of the interstate system and the guaranteed funding provided in the 1982 legislation, then all of these gaps that remain on the system will be financed and completed.

HIGHWAY BID PRICE INDEX

Senator ANDREWS. Well, with the bid price index 6.3 percent lower in fiscal 1982 than in the preceding year, it seems you would have striven for record interstate construction levels. Are you planning to increase your construction rate so that the economy can reap the benefits? We are desperately trying to stimulate jobs around this country. We have just passed a job bill, or gotten it out of conference last evening. Hopefully, the conference report will pass. Could this not be an integral part of it?

FACTORS EXPEDITING INTERSTATE CONSTRUCTION

Mr. LAMM. Yes, sir. In fact, again, dealing with the legislation that was passed by Congress last year, some of the features in that bill will help to complete the interstate system. It is among the reasons with which we can make that statement to you that all of the gaps will be completed.

For instance, Congress made the interstate discretionary financing pool a lot more effective with a share off the top of the interstate apportionment of $300 million per year, and in fiscal year 1983, already, we are in the process of obligating close to one-half billion dollars for interstate highways that would not have come about other than through the principle of the interstate discretionary pool.

So, Congress has really given us the tools to work with, and we do want to make sure that where projects are ready to go faster than the formula funds provide, that we have the additional funding for the States in those cases.

FACTORS INFLUENCING HIGHWAY BID PRICE INDEX

Senator ANDREWS. For 2 years now, your statements have placed credit for controlling highway inflation on the Federal Highway Administration and the White House. That is good. That is a great political document. It makes us wonder, though, what your organization has done that was not done in spades by the worldwide recession.

Mr. LAMM. We can give you some additional information for the record, Mr. Chairman, but it has been interesting to us to see that during the mid and late 1970's, the highway bid price index rose at a rate faster than the general inflationary spiral that accompanied the national economy, and of course a lot of that was due to the fact that the highway construction activity is such an intensive user of petroleum products.

We are finding conversely that as the national economy begins to find a reduction in inflation, that the reduction in highway bid prices also is occurring at a faster rate than the economy as a whole. So that we have a great deal of satisfaction in that we feel some of the efforts we have undertaken to reduce the impact of increased bid prices have really come to pay off in the last couple of years.

We believe that a comparison of the bid price index with the national Consumer Price Index will show that trend.

HIGHWAY PROGRAM PRIORITIES

Senator ANDREWS. In other countries, particularly Canada Mr. Barnhart, emphasis is placed first on maintenance of the existing highway structure, and second on expansion. Last year, your first priority, we were told, was interstate completion and preservation. What is most important now to you? Maintaining the quality of the roads and bridges already out there, completing the interstate, or cost avoidance?

Mr. BARNHART. I think our priorities are reflected in the legislation as Congress has them distributed between the various categories, and of course we still have $4 billion in there in interstate completion. I think it is a very high priority. You will note that we are significantly increasing our 4R program funds, because obviously we have to protect that which we already have, and we have in fact geared up for that, and it is a very high priority.

The same thing with our bridges, because we have a serious bridge problem, but I think we are attacking all of those elements very prudently, and I do not know that one can say one is more important than the other. Certainly we want to catch the repairs prior to the time we have the more serious damage, but I think our distribution of funds reflects a proper setting of priorities in the highway program.

MINORITY BUSINESS ENTERPRISE

Senator ANDREWS. Have you published your rules regarding the 10-percent MBE setaside as required by the Surface Transportation Act?

Mr. BARNHART. Yes, sir. We have a notice of proposed rulemaking now, and that timeframe has been extended for 15 days for additional comments, but we are pursuing the implementation of that 10-percent requirement across all States.

SECTION 105(f) REQUIREMENTS AND WAIVERS

Senator ANDREWS. What consideration for waivers might be given to States such as North Dakota, which has, in the words of the highway regional staff, achieved a "commendable level of minority participation" for that State while not necessarily a 10-percent level? How will waivers be granted?

Mr. BARNHART. It is my position that the Congress passed a law. We will attempt to enforce it very conscientiously. I do believe that we have made great strides in bringing minorities into the private enterprise system, into participation in the highway program in recent years.

I would point out that for the past 2 years, when we came into office, we deleted two coercive elements of the MBE regulation, provisions H and I, and began more jawboning, trying to get best faith efforts. During my first year as FHWA Administrator, 2 years ago, we set a new record for minority contract awards under this voluntary program, but with emphasis from the Federal Highway Administration.

Last year, we set a new record also, $415 million in minority contracts. Now, that is only 5.3 percent of the total program, so we are growing in our awareness of and involvement of the minority contractors in the program. The Congress has mandated it 10 percent. This poses real problems, real stress on the capability of minority contractors to actually produce. Ten percent of an $8 billion level program is one thing, but when we increase the level of the program 50 percent and require 10 percent, certainly it strains capability.

There are some States, a dozen, probably, that will not have difficulty meeting that 10 percent. Many other States, most of the other States, will have a very difficult time, including your State. In North Dakota, while you have done a commendable job, you did about $800,000 worth of minority contract awards, was it not?

NORTH DAKOTA MINORITY BUSINESS PROGRAM

Senator ANDREWS. $800,000.

Mr. BARNHART. This year, you would have to go up 600, 700 percent of that in order to meet that 10-percent goal. The State feels it will not be able to do that, but they have not yet requested a waiver. We have set forth in our proposed regulation elements that might be submitted to Federal Highway to evaluate whether or not a waiver is justified.

The capacity of the minority community, the population, is one factor, but it is not a major factor because of the mobility of contractors and the ability to move in from another State. But certainly the past efforts that the State has made to involve minorities, the kind of iden-

tification and development of minority contracts, and we have funds that are used by the States for that purpose, and all of the historic trends would be a factor in evaluating a waiver.

But the important thing is that the States themselves are going to have to request a waiver from that 10 percent and submit some documentation to support it.

Senator ANDREWS. And when they do, then your process will be to take a look at it, look at the situation as it exists in the State, and make the appropriate decision?

DIFFICULTY OF REQUESTING AND GRANTING WAIVERS

Mr. BARNHART. Absolutely, but Senator, I would point out one thing, and it is a real problem. You cannot talk about race in public safely without being accused of being a demagogue or a racist. That is an unfortunate fact of life. I do not know of any Governors, regardless of political affiliation, who want to voluntarily say publicly, we do not believe we can make a 10-percent minority participation, and so they want us to initiate the action of granting a waiver before they request it.

I will not have this Administration, Federal Highway, or the Reagan administration being put into that kind of a posture where we as bureaucrats in Washington look at a State and say, we know you cannot make your 10 percent. That would be prejudging, and I do not think it is right. I think the States must initiate the request and document why it warrants it.

Senator ANDREWS. Well, it is extremely difficult to make a 10-percent participation in a State that really has to scrounge all the way around to find a 1- or 2-percent minority in the whole State. In fact, we had this minority representation rule in the National Guard. We were going as far away as Chicago to try to recruit minority members for our National Guard, in order to make our minority complement, and traveling between Chicago and North Dakota for Guard duty on the monthly drills was pretty darned expensive.

So, finally, we got a waiver on that. It is not that we would not like to do it. It is just that we simply cannot reach that kind of level. I am sure you are going to hear from the State of North Dakota and, I suspect, a couple of other States that are situated as we are, wanting and anxious to give every kind of a break we can to minorities, but just not having any minorities there.

Mr. BARNHART. I understand, sir. My feeling is, however, that we should not sit in judgment, and that your State should then initiate that request and document why they are incapable of meeting that 10-percent goal. I do not think you want me as a bureaucrat sitting up here and judging on the basis of my information that your State can or cannot make that particular goal.

Senator ANDREWS. We have fewer people in our State now than we had in 1920. It is something about 40 below zero. Not too many people migrate in that direction. They all go toward Washington.

Senator Abdnor, did you have a question?

DEFINITION OF MINORITY CONTRACTOR

Senator ABDNOR. Well, as long as you are on that subject, Mr. Chairman, South Dakota also is one of those States that is experiencing considerable problems regarding the minority business contracts. What constitutes a minority contract?

Mr. LAMM. The legislation, Senator, requires basically the same definition that the Small Business Administration uses in implementing their section 8A program. That is, one big difference from the program that the Department of Transportation had been using previously, a white female who owns a construction firm would not be considered a minority business enterprise under this legislative definition.

Senator ABDNOR. Ethnic groups?

Mr. BARNHART. It includes some ethnic groups.

Senator ABDNOR. If you are a minority in that State, does that make you a minority?

Mr. BARNHART. No, sir. It would generally be——

Senator ABDNOR. With my nationality, if I had a firm would I constitute a minority firm?

IDENTIFICATION OF MINORITY CONTRACTOR

Mr. LAMM. It would generally be ethnic groups that are descended from immigrants from Africa, from the Hispanic-speaking parts of the world, and a few other groups such as native Americans, and so forth.

Senator ABDNOR. Well, like the Senator from North Dakota said, do you go out of the State looking for minority contractors if you do not have them?

Mr. BARNHART. Yes, sir.

Senator ABDNOR. We have a poor track record in South Dakota, I guess. It is not because they do not want to hire minority contractors, but do they have to go out and recruit them, for heaven's sake, outside of the State?

Mr. BARNHART. Yes, sir. We have spent some $20 million in the last 4½ years funding the States so that they can establish centers for the development or identification and counseling with minority contractors. We are evaluating that program. I am not sure we are getting our money's worth in all areas.

Senator ABDNOR. Are there any guidelines or other criteria that minority contractors must meet?

Mr. BARNHART. Generally, the contractors have to be certified by a State highway department.

Senator ABDNOR. They can get in a pile of problems if they are not certified—correct?

Mr. BARNHART. Certainly there are all kinds of problems, but we are trying to develop directories in each State of the available minority contractors in the specific areas and to make those directories then available to other adjacent States, if you will.

Senator ABDNOR. I remember a few years ago an inspection showed that many sham operations were created as a result of these type of regulations.

Mr. BARNHART. Well, if there is a complaint of a fraudulent or a phony organization, that will be checked out by the FHWA Civil Rights Office or the DOT Office of Small or Disadvantaged Business, or the Inspector General, to see whether or not it is a shell game.

Senator ABDNOR. As an example, say in my State, a minority makes a bid for some road work but has no experience. Say he just went out and secured a few pieces of equipment. Could my State say, you are not qualified?

Mr. BARNHART. I would think that they would require some kind of job performance or capability, but that is up to the States.

Senator ABDNOR. What will you accept in a waiver application? What do they have to show you?

SOCIALLY AND ECONOMICALLY DISADVANTAGED REQUIREMENT

Mr. BARNHART. We accept those who are certified by the State, who comport with the definitions and terms of SBA. There is another factor in here also, the minorities must be socially and economically disadvantaged. So, we run into another ramification that can give us some problems.

For instance, in one State, I was discussing this problem with them. The director mentioned they did not have to worry because they had just awarded one of the major contracts to a very good minority contractor.

The problem is that that contractor would not qualify as a disadvantaged contractor. Therefore he would not help them meet their goal of 10 percent.

We have a lot of problems to work out. I think we will have a transition getting into full implementation of this, but I believe that generally, at the national level, we can do much better than we have in years past at the involvement of minorities in this system.

Senator ABDNOR. Does the State have a right to insist that these minority businesses be competitive?

Mr. BARNHART. Yes.

Senator ABDNOR. Their bids?

Mr. BARNHART. Yes.

Senator ABDNOR. They cannot be twice as high and expect to have their bids accepted?

Mr. BARNHART. No, sir. You are correct. Competition in most States is mandated. I think you will find many minorities will be employed as subcontractors, and so there may be some waiving of that low-bid provision because it goes to the individual contractor.

Senator ABDNOR. If there is a large discrepancy in the bids, then they have a right to turn them down?

Mr. BARNHART. Oh, yes, sir. Yes.

ADDITIONAL FACTORS AFFECTING WAIVER REQUESTS

Senator ABDNOR. The States are going to want to know just what is a valid waiver, if you are going to make a legitimate request for a waiver.

Mr. BARNHART. I will be happy to supply you with more data on how we would evaluate a waiver request. I would point out in the SBA 8A category, that is a sole source negotiated contract, and that has been used extensively throughout Government. So you, in fact, do not have competition when you get into the 8A, and there are millions of dollars worth of contracts that are not bid in Government.

Senator ABDNOR. Do they have to go out and search for a minority contractor in other States to be able to make a request for a waiver?

Mr. LAMM. In many cases, Senator, a given State would advertise a proposed contract so that minority contractors in adjacent States would also know about it as well.

Senator ABDNOR. If they do not accept, and no one submits a bid, then they should be granted a waiver, correct?

Mr. LAMM. I would say one of the main factors that we would look at in evaluating any request for waiver is the recent experience. If a State could demonstrate a number of efforts that they have undertaken to identify minority contractors, and have come up short of the 10 percent, then that would obviously be one of the main factors we would look at in their waiver request.

Senator ABDNOR. I am not trying to be a nuisance here. I am just trying to find out how hard our State highway departments have to look. Do they have to send people out in other States trying to recruit them?

Mr. BARNHART. Part of that we would be doing for them, Senator, because we have tried to administer the program in a helpful way and work with the States in identifying minority contractors.

BONDING PROVISIONS

Senator CHILES. May I ask one question?

Senator ANDREWS. Senator Chiles?

Senator CHILES. What are you doing about bonding provisions for these minority contractors?

Mr. BARNHART. We have been looking at that bonding problem very seriously, because this is one of the problems that has been presented to us as a major obstacle by minorities, the lack of being able to get a bond. We have been meeting with the SBA. They have revised their bond program. Frankly, it was a mess a few years ago. Nobody would fiddle with it. I understand they have made some changes, and I do have a group looking at that to see if that will meet the needs of the highway community.

FRA has developed a special program of bonding with minorities. We are examining that. If we do not see where those programs would work in Federal Highway for highway construction, we will look at trying to develop another program directly applicable to the highway program.

Senator CHILES. I think you are going to have to do that, because I think you are going to find that one of the biggest screens that you are going to face is these companies being unable to be bonded under your existing provisions.

Mr. BARNHART. Yes, sir. I have talked to several of the major bonding firms myself to discuss this problem, and we will come to grips with it.

ALTERNATE TO HEAVY USE TAX STUDY

Senator ANDREWS. One final question. When Secretary Dole was here, she promised to step up your study on the new highway legislation, and we are particularly eager to hear what the department's latest thinking is on achieving the revenue level from truckers by a different mix of taxes. For example, increase the diesel tax and decrease the use tax.

How are you doing on this study? How soon is Congress going to see some preliminary conclusions? A number of bills have been introduced in this area. We had a strike, as you know, tragic in the injuries and suffering that went on during that strike. It was largely put off because we said, we will take another look at it, at these up front excise taxes, and we have been waiting for this study. We have not gotten it yet. Where is it?

Mr. BARNHART. I wish I could say we had it tonight, because I am addressing a trucking group tomorrow, but we do not, but we are putting that on a fast track. We will have our first report July 11, I believe. Les?

Mr. LAMM. Yes, Mr. Chairman. We are aware of your conversation with Secretary Dole, and we have looked at that report. As you know, the legislation called originally for a 2-year timeframe. We were to report back to Congress in January 1985.

EXPEDITING THE COMPLETION OF THE STUDY

Senator ANDREWS. Sure, and I was appalled at that kind of a timeframe, given the strike, and the fact that a number of us told the independent truckers in our area that we understood their problem. You know, we have told them the fact that the Senate was aware of it. That is why we had a lower up front excise tax. We know what the problems are, because particularly the independent trucker, when that truck is not rolling, of course, it is not putting wear and tear on the highway, and an up front tax is a tough one to carry, particularly for the independent.

So we wanted this study expedited. Now, I told the Secretary that we wanted it before the middle part of the year. In fact, we wanted it yesterday, if possible. And she said she would talk to you and do everything she could to expedite it. Now, can we have it by the end of this month?

Mr. LAMM. Here is the schedule we are on right now, Mr. Chairman. First of all, the report requires more than just DOT. It is a cooperative venture between the Transportation Department and the Department of the Treasury. We can split the two responsibilities up, though, and the Federal Highway Administration, DOT portion of it, which will look at alternate taxing methods, can come to Congress, can be ready to come to Congress by July 1983, and that is really the earliest that we can get that out.

Senator ANDREWS. Let us be perfectly frank with it. The Department of the Treasury does not know Siccum from Kameer about how you divide up a truck tax and how you assess highway wear. All they are looking at is the bottom line. They want to get *x* number of dollars out of this tax. And if you can distribute the tax between one type or another and come up with essentially the same dollars, the Department of the Treasury is going to sign off on it.

COMPLETION OF FHWA PORTION OF STUDY

Mr. LAMM. What Congress asked for from the Treasury Department was an evaluation of how you could improve collection and enforcement of the taxes. That we believe can follow on, and we understand the Treasury Department should be ready by January 1984 rather than January 1985 for that. But I am telling you that the DOT portion of it, the transportation-related evaluation of the different methods of taxes, the different individual taxes, such as perhaps a diesel differential, a fuel surcharge, a weight distance related fee, rebates to low-use vehicles, and so forth, those evaluations would be ready for the Congress by July 1983.

Senator ANDREWS. By July 1983.

Mr. BARNHART. Yes, sir.

Senator ANDREWS. And you cannot push that up and get it by the first of June, or the first of May?

Mr. LAMM. We will try to push it as much as we can, but in-house, our feeling is, if we really do the job that Congress wants, it is going to take until July.

Senator ANDREWS. But you are working at it full tilt?

Mr. LAMM. Yes, sir, we are.

Senator ANDREWS. I think that if Treasury is going to take until the end of the year, I think the Secretary of Transportation is going to have to talk to her husband and have him put in a call as chairman of the Finance Committee to get Treasury to get its act together, because why would it take 1 year to find out about how you enforce tax collection? The gas tax is about the simplest one in the world to collect, and the excise tax on trucks, you have all of those records. That should not be hard to collect, unless somebody is totally asleep down there some place.

Mr. LAMM. I cannot explain the Treasury Department's schedule. I can tell you about ours, though, Mr. Chairman, and we believe we can get the report to Congress by July, but I doubt it would be possible to advance that.

Senator ANDREWS. Well, the fiasco we are in right now on the social security bill this time is all because the Treasury could not process its form 1099's or the IRS couldn't process 1099's to do a tax collection job, so they had to do it through withholding, or told us that they could recover several billions of dollars. I am more concerned really about getting them to get their act together and do the collection with the form 1099's, and I would think that they could get their act together and get a story up here on how they are going to enforce the

collection of these excise taxes, which they have been collecting for years.

And why do they have a different collection problem when they are assessing over $1,000 per truck than they do when they are assessing a couple of hundred dollars per truck? I just cannot understand why it takes 7 or 8 months to figure that one out. But maybe that is the way it is down there in Treasury. Maybe that is why we have so many other problems.

Mr. LAMM. We will certainly convey your message to the Treasury Department, Senator.

Senator ANDREWS. Well, I am sure that the message will get conveyed to the Treasury Department. I appreciate that.

INCREASE IN USE FEE AND COMPLIANCE

Mr. BARNHART. Senator, I think one of the things that happens, when you had a use fee that had a maximum of $240, there was very little attention given, and I think we had an awful lot of folks who did not file those forms. Now you are talking about big money, and I think it is a different matter. I would hope we could eventually develop a system whereby the States would collect that and eliminate the inequities of collection, and perhaps take something off the top for their overhead, and I suspect we would end up better off all the way around.

Senator ANDREWS. Why was that suggestion not made to the Congress at the time we were considering the legislation as a better method of collection. The thing that is abhorrent to me is the fact that the great father, the Federal Government, does not think it is worthwhile to collect $250 per truck, but it can sure get its act together and start collecting $1,000 per truck.

Mr. BARNHART. I am just speaking as a Texan, not as Federal Highway Administrator, but that had been broached along with the diesel differential, et cetera. It had been rejected by the industry, as a matter of fact. But I think all of these things genuinely will be reexamined.

VERIFICATION OF FEDERAL USE TAX PAYMENT

Mr. LAMM. On that point, though, Mr. Chairman, the legislation does require all the States to establish a process by which any individual truck owner or operator has to demonstrate that he has paid the Federal tax before he can get a State registration. So Congress did employ just that feature you are talking about.

Senator ANDREWS. We put those teeth in it, and that is why it seems so idiotic that given that improved type of collection, improved type of verification, it is going to take the Department of the Treasury until the end of the year to figure out how they can enforce the collection on something that has been going on—there is no new tax in it. We just upped the tax that has been there as an excise tax for years, and we increased a fuel tax that has been there for years, and now it takes those birds down there 9 months to figure out how they are going to achieve the collection of something that is not a new tax, not a new technique, and as a matter of fact, we gave them a policing system by running the

reporting through the States so that if they do not pay their excise taxes they cannot get their truck licensed.

We put everything in their hands. Now it takes them 9 months to figure it out. You know, no wonder people back home get a little disillusioned with this Government of theirs. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

PROGRESS ON WEIRTON-STEUBENVILLE BRIDGE

Mr. Barnhart, the Senate report accompanying the fiscal year 1983 appropriation bill for the Department of Transportation included a provision which noted the high priority of the Weirton-Steubenville bridge construction project. Subsequently, the Department earmarked $34 million of the Secretary's discretionary bridge fund for construction of this bridge between West Virginia and Ohio, and an additional $12 million was previously earmarked for this purpose in other appropriation bills.

What work on this bridge has been accomplished to date? What is the present status of the work?

Mr. BARNHART. I would like for Mr. Morgan to respond to that.

Mr. MORGAN. Senator Byrd, of course, the design plans for the superstructure have been completed, and they have let the contracts for the approaches, and I believe they will be letting a contract for the main span this year. I do not have the exact date. Which would in essence be sufficient to finish the bridge.

Senator BYRD. Could you be a little more definite for the record?

Mr. MORGAN. Yes, sir.

[The information follows:]

STATUS OF THE WEIRTON-STEUBENVILLE BRIDGE

The status of the ongoing construction projects are as follows:

West Virginia approach, grade and drain:
- Awarded June 4, 1982.
- Completion date, October 31, 1983.

Ohio approach:
- Awarded June 15, 1982.
- Completion date, September 30, 1983.

Land Office relocation:
- Awarded June 17, 1982.
- Project completed.

The proposed schedule for the cable stayed superstructure and remaining substructure is as follows:

February 1, 1983.—Plans for three alternates received by FHWA.
Mid-April 1983.—Authorization to advertise project by FHWA.
May 1, 1983.—Receipt of bids.
May 15, 1983.—Award of contract.
November 1983.—Award of first contract for the West Virginia approach.
March 1984.—Award of second contract for the West Virginia approach.
May 1985.—Award final contract for West Virginia approach.
October 30, 1985.—Completion of bridge.

REMAINING WORK ON BRIDGE

Senator BYRD. What work remains?

Mr. MORGAN. The main spans, the $37 million worth plus or minus for the main span, sir.

Senator BYRD. And when do you contemplate beginning work on that main span?

Mr. MORGAN. Before the end of this fiscal year. I do not have the exact date. I will supply it for the record.

[The information follows:]

STATUS OF MAIN SPAN OF THE WEIRTON-STEUBENVILLE BRIDGE

The proposed schedule for the cable stayed superstructure and remaining substructure is as follows:

February 1, 1983.—Plans for three alternates received by FHWA.
Mid-April 1983.—Authorization to advertise project by FHWA.
May 1, 1983.—Receipt of bids.
May 15, 1983.—Award of contract.
November 1983.—Award of first contract for the West Virginia approach.
March 1984.—Award of second contract for the West Virginia approach.
May 1985.—Award final contract for West Virginia approach.
October 30, 1985.—Completion of bridge.

REMAINING FUNDS FOR BRIDGE

Senator BYRD. You cannot say at the moment. All right. What remains to be funded before this bridge is completed?

Mr. MORGAN. Senator Byrd, I believe that this last allocation was all the funding they will require.

Senator BYRD. All that it will require?

Mr. MORGAN. Yes, sir, that plus that previously committed.

Senator BYRD. I would like for you to double check that.

Mr. MORGAN. Yes, sir.

Senator BYRD. The 1979 estimate was $64 million. What is the total estimated cost now?

Mr. MORGAN. I believe it is currently $68.8 million.

Mr. LAMM. It is still in that range, Senator Byrd, and at an 80–20 Federal-State matching ratio, the Federal share would be $55 million. The figure we have, Mr. Morgan's estimate that no additional Federal funds would be required is information that we get from the West Virgina Highway Department.

FEDERAL SHARE OF FUNDS FOR BRIDGE

Senator BYRD. Yes. Now, you say the Federal share is $55 million?

Mr. LAMM. Yes, sir, at the last State's estimate.

Senator BYRD. And how much have you put in thus far?

Mr. LAMM. It has been close to the $55 million, and the estimate that we get from the State is that they will not require any additional discretionary funding.

Senator BYRD. Let's see. We had $12 million previously earmarked, and $34 million earmarked subsequently. That adds up to $46 million.

Mr. LAMM. The amount that was allocated for fiscal 1983 was a $37 million share, and then an additional $8 million in 1982, and there were some primary funds used early in the project for the piers that are probably included in your estimate of $12 million.

Senator BYRD. $37 million plus $12 million is only——

Mr. LAMM. It would be $49 million, yes, sir.

Mr. MORGAN. Senator, the piers were funded with regular funds, and they were not on the discretionary. They had already been started, I believe. And there was also some money in Ohio for the approaches. So between the combination of the two, it gets close to the full funding required.

ADDITIONAL FUNDS FOR BRIDGE

Senator BYRD. So you do not see any need for additional funds on that bridge?

Mr. MORGAN. No, sir, and as is our policy, once we start a discretionary bridge, we intend to fund it to completion, and if Commissioner Miller indicates that more funds are needed, they will be forthcoming.

Senator BYRD. If he indicates more funds are needed.

Mr. MORGAN. Yes, sir.

Mr. BARNHART. He is a good man.

Mr. MORGAN. He does a good job.

Senator BYRD. Oh, I know him very well. Yes, he is a good man, and does a good job.

So what are you saying to me then? Are you saying there will not be any further need for funds from the discretionary——

Mr. MORGAN. To our knowledge, the information we have from the State, the most recent information indicates that sufficient funds to complete that bridge project have already been allocated.

Senator BYRD. How recently was this?

Mr. MORGAN. Within months. And as I said before, if there are not enough funds, then we will make them available.

Senator BYRD. You will make them available?

Mr. MORGAN. Yes, sir.

Senator BYRD. So the funds that have already been allocated in your judgment represent the full capability and you do not anticipate any further need for additional funds, and if there is an additional need, that will be met?

Mr. MORGAN. Yes, sir.

APPALACHIAN HIGHWAY

Senator BYRD. Now, the corridor G project is now underway to construct a highway from Charleston, W. Va., to Williamson in Mingo County on the Kentucky border. How much of the $80 million in Federal highway funding requested for the Appalachian Highway system would go to this budget?

Mr. LAMM. We would have to give you that for the record, Senator Byrd. We have not as yet gotten a proposed split out of the Appalachian Regional Commission or the affected States.

Senator BYRD. Could you supply that for the record?

Mr. LAMM. Yes, sir, we will.

[The information follows:]

APPALACHIAN HIGHWAYS—FUNDING PROPOSAL

The $80 million requested for next year is the first increment of a 3-year $220 million Appalachian Highway system phaseout program. The funds would be used to repay States for work which has been prefinanced and to the extent possible to advance additional projects on the Appalachian Development Highway system. Beyond this $220 million phaseout program, States in the Appalachian region would be expected to find alternative funding sources for further development of the various Appalachian corridors. For example, normal Federal-aid highway funding could be used for work on a corridor if a State so chooses.

Currently, States in the Appalachian region have prefinanced substantial work on the Appalachian system with a Federal share in excess of $160 million. Therefore, under this proposal less than $60 million would be available for additional Appalachian projects. West Virginia currently has a $400,000 Federal share in prefinanced work and could expect to receive a prorata share of $50 to $60 million remaining funds over the 3-year period.

CORRIDOR G PROJECT

Senator BYRD. How much in construction funds could this project potentially use next year?

Mr. LAMM. We will have to provide that for the record as well, Senator Byrd.

[The information follows:]

APPALACHIAN HIGHWAY CORRIDOR G—WEST VIRGINIA

West Virginia could have $130 million worth of projects on corridor G ready for advancement next year. The Federal share for this program level would be $140 million.

WEIRTON-STEUBENVILLE BRIDGE—ESTIMATED COMPLETION DATE

Senator BYRD. All right. Now, what is your—let us go back to the Weirton Bridge just for a moment. What is your estimated completion date?

Mr. LAMM. As Mr. Morgan mentioned, the last major construction contract should get underway in calendar year 1983. The estimate we have is that the State should be ready to advertise for bids this month or early April, and probably award the contract to a contractor in May or early June 1983. If that is the case, then I would imagine the contract would call for close to a 2-year construction period, because of the magnitude of that project.

If the schedule does follow and the contract work gets underway in 1983, that would mean that perhaps the bridge would be open to traffic by the middle of 1985. Again, we can double check those figures and get you a full report for the record.

Senator BYRD. I would appreciate it if you would. And would you mind writing me also a letter, direct to me? Would you write me a letter on this?

Mr. LAMM. Yes, sir, we certainly will.

Senator BYRD. As well as supply the information for the record?

Mr. LAMM. Yes, sir.

Senator BYRD. Thank you, Mr. Barnhart.

Thank you, Mr. Chairman.

[The information follows:]

LETTER ON THE WEIRTON-STEUBENVILLE BRIDGE

MARCH 29, 1983.

Hon. ROBERT C. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: Enclosed is the status report on the Weirton-Steubenville Bridge requested during the fiscal year 1984 Senate Appropriation Hearings held on March 22.

I appreciate the opportunity to be of service, and if I can be of further assistance, please let me know.

Sincerely yours,

LESTER P. LAMM.

Enclosure.

BRIEFING—WEIRTON-STEUBENVILLE BRIDGE BETWEEN OHIO AND WEST VIRGINIA

BACKGROUND

The Weirton-Steubenville Bridge over the Ohio river was previously designed by a consultant for the State of West Virginia as a toll facility. No Federal funds were involved at the time of design.

Approximately December 1976, the State abandoned the idea of toll financing for the bridge and decided to fund the project with regular bridge replacement funds. Two channel piers were constructed under project F-22(001).

The Weirton-Steubenville Bridge achieved legislative status through the Senate Report on the Supplemental Appropriations and Recission Bill, 1981 (S.R. 97-67). The project was submitted for discretionary bridge funds and received $8 million in fiscal year 1982 for construction. The total project cost is estimated to be $72 million. The Federal share of the project is $57.7 million.

The State of West Virginia requested and received $37 million in fiscal year 1983 discretionary bridge funds for construction. The project will also require discretionary bridge funds of $11.8 million in fiscal year 1984 and $0.9 million in fiscal year 1985 for West Virginia approach construction to complete the bridge.

CURRENT STATUS

The Weirton-Steubenville Bridge will be an asymetrical cable bridge with a single tower and a single plane of stays. The main span is 820 feet with a flanking span of 547 feet. The total length will be about 1,965 feet. The roadway will consist of two 42-foot wide roadways separated by a 6-foot wide median.

Three alternates will be bid: (1) a segmental concrete superstructure; (2) a steel superstructure with an orthotropic steel deck: and, (3) a steel superstructure with a concrete deck. (This alternate has two planes of stays.) Designs for all three alternates are complete.

The status of the ongoing construction projects are as follows:

West Virginia approach, grade and drain:
- Awarded June 4, 1982.
- Completion date, October 31, 1983.

Ohio approach:
- Awarded June 15, 1982.
- Completion date, September 30, 1983.

Land Office relocation:
- Awarded June 17, 1982.
- Project completed.

The proposed schedule for the cable stayed superstructure and remaining substructure is as follows:

February 1, 1983.—Plans for three alternates received by FHWA.
Mid-April 1983.—Authorization to advertise project by FHWA.
May 1, 1983.—Receipt of bids.
May 15, 1983.—Award of contract.

November 1983.—Award of first contract for the West Virginia approach.
March 1984.—Award of second contract for the West Virginia approach.
May 1985.—Award final contract for West Virginia approach.
October 30, 1985.—Completion of bridge.

FLORIDA-INTERSTATE DISCRETIONARY FUNDS

Senator ANDREWS. Senator Chiles.

Senator CHILES. Thank you, Mr. Chairman.

Mr. Barnhart, I understand last week the Federal Highway Administration allocated approximately $475 million of Interstate discretionary funds and that those allocations were based on State applications for the States that have already obligated their 1983 Interstate construction money. As Florida has already obligated its 1983 Interstate construction funds, our State received its full request of $91.4 million for the needed work on I–75 in Hillsborough and Broward Counties and for work on I-595 in Broward County and work on I–95 in Palm Beach.

All of those projects contribute to the completion of the interstate system in Florida, and we certainly appreciate the timely way in which the Administration handled these requests. Completing the interstate system is high priority for Florida. On behalf of the State, I certainly thank you for the additional allocation of those funds.

Mr. BARNHART. You have a fast spending State.

Senator CHILES. We always can use anything that we can get our hands on when it comes to highways, as you know. We have a project on the shelf, and we are ready to go with it.

Mr. BARNHART. You have a lot of need down there.

CONCRETE SEGMENTAL BRIDGES

Senator CHILES. We certainly do. In that connection, I notice that in the 1983 Senate report the success that several States are having in their concrete segmentally designed bridges were discussed. The committee noted these type of bridges are saving 10 percent in construction costs and being built in two-thirds of the time required for conventional bridges.

In view of those savings permitted, the committee directed the department to encourage greater consideration of concrete segmentally designed bridges to be made when Federal funding is involved. We used that in our 7-mile bridge down in Key West, and it seemed to work very well. I just wondered what progress had been made in encouraging alternative designs for other large bridges. That is a Florida process, by the way, and we are delighted that it has worked so well.

PROGRESS ON ALTERNATE BRIDGE DESIGN

Mr. BARNHART. We have, of course, been encouraging alternate designs in bridges since 1978–79, and we are continuing to do so. As far as segmental design, there are 30 of that type of bridges completed, 22 now under construction, 45 in design, and 30 under study, for a total of 127, which has all come about within the last 5-year period generally.

Senator CHILES. And the department is encouraging construction of those bridges.

Mr. BARNHART. Yes, sir.

Senator CHILES. That certainly should not be the only way.

Mr. BARNHART. Yes, sir. We have a policy published in the Federal Register and the comment period for it closed a couple of months ago, which again reemphasizes our policy, and we will be publishing another final policy on that within the month, I imagine.

Senator CHILES. I see.

STATE IMPLEMENTATION OF ALTERNATE DESIGN

Mr. BARNHART. The alternate design has been very effective in saving money. I know a lot of the States objected to the heavy hand of the Federal bureaucracy coming in and mandating in a State that you have alternate design, and there are some politics involved, whether you are in a steel company or a concrete company, and they thought we might rescind it under this administration. We have not, simply because the results have been outstanding.

I was in a State just last week, and their director volunteered that he had always objected to the alternate design, but as we were driving we passed over one bridge. He said, we saved almost $4 million on that one bridge. So he is a believer, and I think it is a very good program.

Senator CHILES. I think that is the whole thing of getting people to use it, and then they will change, because I think we would have had that same feeling in Florida before we had some experience, you know, in seeing what it changes.

1982 STAA PRIORITIES AND GROWTH STATES

The new Census Bureau estimates indicate that the U.S. population grew by about 5 million or 2.2 percent between 1980 and 1982, and 2.8 million of that 5 million was in the South, and 1.8 million in the West, and only 328,000 elsewhere. Those new people create tremendous demands for new highway capacity, new bridges, and new transportation facilities of all kinds.

The Surface Transportation Assistance Act of 1982, however, was directed primarily at maintaining and repairing and doing everything to existing facilities, and certainly that is great for States with stable or declining populations, and necessary even for the ones with growing populations, but what is the department doing to take a look at what are these tremendous needs that are coming about in Texas, California, and Florida where this big influx of the people are going, and where it is not a question of just fixing potholes, but it is facing these demands?

As you know, my State is not trying to make the Federal Government do it all. We just passed an additional gasoline tax.

Mr. BARNHART. Yes, sir, you sure did.

Senator CHILES. That passed overwhelmingly, and passed very quickly in the State legislature, and has the overwhelming support of the people, because we just know that we have got to have an infrastructure of roads and transportation to meet our needs.

IMPROVING FEDERAL PROCEDURES

Mr. BARNHART. Well, sir, I think we have done quite a bit trying to make dollars go further, and I know it sounds like political demagoguery to talk about redtape, but when you realize the delay that is inherent in any Federal project, the average being over 7 years, it is a tremendous waste. So, we have made some serious efforts to clean up our own act on regulation.

One that never saw the light of day is our effort to try to fold all of our environmental hearings into one process in order to have all of these factors, elements of the environment considered at one time instead of dragging it out and hearing one section and coming back a year later and delaying the process. I would hope we might have your help when we try to get some legislation to address that.

Senator CHILES. Come see me.

Mr. BARNHART. Oh, I sure will. The Advisory Council on Historic Preservation is on my list, for one, and I just want you to know they have added millions of dollars of delay to this program.

Senator CHILES. We have run into that in Florida.

Mr. BARNHART. Yes, you do. But we have made great progress, incidentally, on the 404 with the Corps of Engineers, and that has eliminated delay in about 65 percent of those cases. People do not see it, but it is very significant in speeding up the process.

TOLL FACILITIES

I wanted to mention another option that I think that the States should have and that is an option to use Federal funds on toll facilities. At the present time, it is precluded, and you can only use Federal funds on a toll bridge or a toll tunnel. I am not mandating or advocating or suggesting that we apply tolls on interstate highways that are existing, but I think in many of the congested areas, the urban centers you mentioned, there are special purpose roads that are needed by that community. At the present time, they cannot use any Federal funds to make a toll facility feasible, and I think we are denying States and local communities an option that they ought to have.

Senator CHILES. I agree.

Mr. BARNHART. So I would hope that if we can get this concept through the system, again, to give some management options to the States and local communities that this committee will help us.

EMPHASIS FOR FUTURE HIGHWAY LEGISLATION

Senator CHILES. I think that is all very good, and I applaud you for what you are doing. I think in addition to that, though, there has got to be a little forward thinking now. We have had the Surface Transportation Assistance Act of 1982. We do know the thrust of that was primarily toward maintaining and refurbishing and bringing up and helping existing systems. I think we have got to start thinking about what the next initiative is going to be. I hope that it will tilt when we are talking about some new roads, new bridges, toward some pressing needs that these growth States cannot take care of by themselves.

NEW FEDERALISM CONCEPT

Mr. BARNHART. Yes, sir, and I understand that. I do not have the answer for that, but I would put in a plug for federalism. If we can return the urban and secondary and off-system bridge programs back to the States and local communities, and supply the funding that we have historically given to those caliber of roads, and get the Federal Government out of involvement, I believe that the States and communities will pick up another 25 or 30 percent in purchasing power out of every dollar they spend. I think it will be most significant.

Senator CHILES. Well, let me ask you about this new federalism proposal. Since that proposed Federal funding to support those programs to the States would be roughly equivalent to about 2 cents in the Federal gasoline tax revenue——

Mr. BARNHART. Yes, sir.

Senator CHILES [continuing]. Would you propose sending that to the States?

Mr. BARNHART. No, sir.

Senator CHILES. Or you give the States the discretion to take over those revenues.

DONOR/DONEE RATIOS FOR SOME STATES

Mr. BARNHART. No, sir, and I come from Texas, and we have historically received 76 cents back on every $1 we put into the fund.

Senator CHILES. Florida gets about 60 cents.

Mr. BARNHART. No, sir. You get more than that—about 85 cents. You are not as bad off as Texas, but close. North Carolina and Oklahoma have been in the worst shape. But the fact is, I support that redistribution because I believe the other States need it, and the interstate is so essential to the economy of this country, I do not begrudge the fact that we get back less than we put in. Now we have that 85 percent floor, and I think it is a great help. But I do not think we can have dollar in, dollar out, and maintain a viable system of transportation in this country.

You know, you talk about taking 2 cents, and Senator Chiles, I do not know what you get out of a penny on your gas tax, but it does not work out that way.

Senator CHILES. Well, obviously, we have a little difference of opinion here, but I think if you are going to find the support in the Congress to turn back over to the States or get the States to take this secondary work that you are talking about, I think there has got to be some incentive to do it.

Mr. BARNHART. Yes, sir, but I am looking at the political reality, too, and as you look at the donor States versus the donee States, you find that the donor States are heavily outnumbered.

Senator CHILES. We run into that, but the donor States may have enough numbers that they can prohibit some kind of change in these programs unless it is going to be halfway fair.

MINIMUM ALLOCATION AND EQUITY

Mr. BARNHART. Well, I think there must be equity, and I think that 85 percent floor addressed that, and quite frankly, when you count the discretionary funds to Florida, I think you do not end up in very bad shape.

Senator CHILES. Well, we think you have helped us a lot in the discretionary funds, and we certainly do not quarrel with that.

Mr. LAMM. I might mention, Mr. Chiles, since you have raised the issue of donor States, there will be no donor States in 1983, due largely to the phase-in of the additional revenues that were itemized in the 1982 act, but we anticipate Florida's payments to the trust fund would be somewhere around $380 million. So even prior to the $91 million of discretionary funding which was announced recently, which you mentioned, the original apportionment of funds in January gave Florida $397 million. So obviously, in 1983, at least, there will be no donor problem whatsoever in Florida.

Senator CHILES. Well, we think certainly things have improved for Florida in the last 2 or 3 years. Things have improved from the time when we got 60 cents or so for each $1 contributed.

Mr. BARNHART. Yes, sir.

REDUCTION IN HIGHWAY CONSTRUCTION PRICES

Senator CHILES. Your statement noted that the cost of highway construction fell about 6.3 percent during calendar 1982, and that inflation trends and several other factors contributed to that reduction. I have to wonder if the bid rigging investigations that have been underway for approximately 2 years did not also have something to do with that reduction of the highway bid index. What are the other factors that you refer to that have helped contribute to the reduction of the highway bid price index, and where do we stand on the investigation of bid rigging, and when do you expect that overall effort to be included, and do you think that that is a factor in this?

Mr. BARNHART. Quite frankly, no, I do not think it is that big a factor. We have not been able to determine where it has resulted in any significant decrease. I think competition has. We have been very tough on the bid rigging.

Senator CHILES. We are looking at some pretty good numbers in Florida where some of the bids are coming in.

FACTORS INFLUENCING HIGHWAY INFLATION

Mr. BARNHART. Yes, sir. But I do not know that we can attribute that to this thrust of identification of the bid rigging. Most of that, hopefully, is past us. I think it is deplorable. It is inexcusable, and we have been very tough on that. We have debarred quite a few contractors and companies, because I do not think the system can condone bid rigging in any way, shape, or form, but I do not think that that in itself has meant for a reduction in these prices.

I think we have had a low-level program, and we have had more bidders on projects than we have had in years past. We have a tremendous

number of bidders traveling all across the country trying to get work because of the low level of the program. That has helped tremendously.

I-595 CONNECTER

Senator CHILES. Language appears on page 140 of the conference report accompanying H.R. 6211 describing a study in which the Secretary of Transportation is directed to conduct—to determine the feasibility and cost of designing and constructing a highway in the State of South Carolina connecting I-95 with U.S. 17 in Myrtle Beach as part of the Interstate System or primary system, and we have a similar problem in Florida in connecting the western terminus of I-595 in Fort Lauderdale with I-75 to the West.

Have you received any funding for the South Carolina feasibility study?

Mr. MORGAN. We were directed, Senator, in the 1983 act to take funding for that study out of our general operating expenses, and I believe the figure was $500,000 maximum.

POSSIBILITY OF FORT LAUDERDALE STUDY

Senator CHILES. Well, if the Appropriations Committee provided an adequate level of funding for that feasibility study in the conference report, is there any way the scope of that study could be expanded to cover our problem in Fort Lauderdale?

Mr. MORGAN. Well, we would look at the Fort Lauderdale obviously as a separate study, and as long as the funds did not come out of our general operating expenses again, it could be done.

Mr. BARNHART. We will not spend anywhere near $500,000 on that.

Senator CHILES. I see.

Mr. BARNHART. We are trying to minimize that.

Senator CHILES. I see.

Mr. BARNHART. Because there is a lot of work, detail that is already available from other studies.

Senator CHILES. Well, we may try to see if we can work with you on that.

FLORIDA BULLET TRAIN STUDY

Mr. Barnhart, as you know, since last May, a team of Japanese engineers and economists have been in the State of Florida studying the feasibility of a bullet train to serve the Tampa-Orlando-Miami triangle. The reaction in Florida to that possibility of service has been very positive. The Governor has established a high-speed rail committee to work with the Japanese team, and the Florida Department of Transportation is developing the legislation that may be required to implement such service.

From the beginning of the study effort, all parties have agreed that it should be pursued only if it is economically feasible and if it does not require massive Federal funding. It has also been assumed the train would be feasible only if interstate right-of-way could be used to help avoid the very substantial cost of acquiring right-of-way.

The Florida bullet train study is going to be completed in several weeks. I would like to know, Mr. Barnhart, what contacts you have had, yourself or other Federal highway officials, with the study team or Florida officials about the possible use of interstate right-of-way for the bullet train. We have heard that the Federal Highway Administration may have some reservations about a bullet train in interstate right-of-way.

PROBLEMS OF USING HIGHWAY RIGHT-OF-WAY FOR BULLET TRAINS

Mr. BARNHART. You are correct. Les, would you go into that?

Mr. LAMM. Senator Chiles, our legislation would permit us to use the highway right-of-way for some nonhighway purpose, but we do have to look at the proposed use to see whether or not we are able to continue to carry the traffic on the interstate facility safely and efficiently. And I guess you do not have to go any further away than suburban Virginia to see that you can design a highway project to put a rail line in the median with I–66 and one of the Metro lines coming on line in that area.

However, it is an awful lot easier if you are designing both of the facilities new, and in the case of I–66, the original design for the highway incorporated the rail line in the center.

Senator CHILES. You do not always get those luxuries to do that.

Mr. LAMM. Yes, sir. When you are dealing with rural highways and a high-speed rail, you sometimes find that what is available in the interstate right-of-way is not sufficient to fit that proposed rail line. One of the major controls is the horizontal and vertical alinement required for a high-speed rail line. The allowable curvature, for instance, horizontal curvature is an awful lot less sharp than we allow even on the interstate highway, so there may be many places on the existing section of the interstate highway in Florida that you just cannot squeeze the desired controlling dimensions of that high-speed rail.

In addition, you have interchanges on the interstate highways, and at points like that, generally the existing interstate highway has not provided enough vertical clearance to permit the rail line to come through. So again, you are faced with complete reworking of the highway interchange or someone paying the bill for very significant modification to the interstate highway.

FHWA INVOLVEMENT IN PROPOSAL

Your question was whether FHWA has been involved. We are certainly aware that Florida DOT has been asked to look at that, and we are working with Florida DOT. I would mention that we have worked with a similar proposal in the State of California for a high-speed rail line between Los Angeles and San Diego, and as you might expect, the topography in that section of the country is not too mountainous, and it is fairly shallow, not very many steep turns. You would expect that much of the interstate right-of-way would be conducive to use by high-speed rail in that area.

But we are told that California Transportation Department and our field staff could only find roughly 4 or 5 miles of interstate highway in that full distance between Los Angeles and San Diego where the highway dimensions would permit the high-speed rail and allow the high-speed rail to travel at their design speeds.

Senator CHILES. Well, it would seem to me, as to the technical requirements that you are speaking to, as to the degree of the curves and a lot of these other areas, certainly those are areas that we would have to listen to the railroad people about. They are the ones who would know what their needs are, and it might well be that there would be some areas where there would be a curve that they could not handle and they would have to obtain some additional right-of-way.

Again, maybe when your people and the railroad people got together, they might find that all of I–4, for example, or all of I–75 would not adapt itself, but certainly as we talked about alternative uses in bridges, I would hope that we would have the cooperation of the Federal Highway Department. We are talking about, again, a way of moving tremendous numbers of people, a way of relieving some of the traffic and congestion off of these interstate highways and these auxiliary highways, and off of a lot of the ingress and egress where we have some of our biggest problems, at Disney World, let us say, and at Tampa, and Orlando, getting people on or off. Many times that is what jams up the thing. We just simply cannot get them on or off.

And so I would certainly hope that we would have the efforts and the cooperation to find out what the technical problems are. They may be insurmountable. I would suspect that again we are talking about areas in which there are going to be some great problems, and there would be a requirement to get additional right-of-way. But I think both 4 and 95 are going to lend themselves to this project going south. They may be talking about the Florida east coast right-of-way or something instead of looking at the existing right-of-way.

FHWA PERSPECTIVE ON BULLET TRAINS

Mr. LAMM. No; I would emphasize we would certainly be willing to look at anything, but our principal aim has to be to assure that the investment we have made in the interstate highways is protected from the standpoint of safety and traffic carrying capacity.

Senator CHILES. Absolutely. I think that has to be, but I think we have to know that that is an investment of the taxpayer, and it is an investment for transportation, and if we can make a double use out of that investment, or if we can double up on it, that is exactly something that is in the interest of the taxpayer who has paid that to start with. You do not own that investment. I do not own it. The people own it. And we want to try to find out what is the best use that they can make for that investment.

Mr. LAMM. Certainly. That is how we have come up with multiple use in other parts of the country.

Senator CHILES. Good.

Mr. LAMM. If it can work, we would certainly consider a proposal.

SUNSHINE SKYWAY BRIDGE

Senator CHILES. Great.

Following the collision of the *Summit Venture* with the Sunshine Skyway Bridge, causing the collapse of the middle span of that bridge, $50 million was earmarked in the 1980 supplemental for emergency relief funds. The Sunshine Skyway in Tampa is, as you know, to be partially funded from emergency relief funds. Is there going to be sufficient funds in the emergency relief account to cover the Sunshine Skyway when Federal funds are needed for construction, and if that is not going to be true, could you provide us with a schedule when additional funds will be required and what amounts they will be in?

My understanding is, you have already set aside or allocated some funds. I would like to know about that.

ALLOCATIONS FOR SUNSHINE SKYWAY BRIDGE

Mr. MORGAN. Yes, sir. We allocated $32 million to this——

Senator CHILES. $32 million?

Mr. MORGAN. Yes, sir, for the initial work. That was the amount of emergency relief work that was eligible. Since that time, of course, the State has collected insurance proceeds, so part of that has actually been recredited to the emergency relief account.

Senator CHILES. So there has been a recredit of part of that $32 million that was allocated from the State's collection of the insurance proceeds?

Mr. MORGAN. Yes, sir. Now, of course, that original amount of emergency relief funds was based upon replacement of the structure in place according to the rules and regulations for the emergency relief funds. The State decided, of course, to put a completely upgraded facility in, and we are proceeding with that with a combination of, of course, the emergency relief money, interstate funds, because it is on the Interstate System, and, I believe, some State bond moneys also.

Senator CHILES. But it does look like now that——

Mr. MORGAN. Yes, sir.

Senator CHILES [continuing]. That there is—there was sufficient?

Mr. MORGAN. A combination of funding. I have not heard of any problems from the State.

SUBMITTED QUESTIONS

Senator CHILES. I have several more questions. I will just submit them for the record.

Senator ANDREWS. All right. Mr. Barnhart, we have several other questions for the record from Senator Chiles, myself, Senator Abdnor, and perhaps some others. We appreciate your coming, and look forward to particularly expeditiously getting the report on that tax structure study.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

INTERSTATE COMPLETION

Senator Andrews: Last year you informed us that 382 additional miles of Interstate had been put into service. This year you report that during fiscal year 1982, only 296 miles were completed. What accounts for this 23% decrease?

Response: In fiscal year 1981, 382 additional miles out of 1,805 miles were put into service (i.e., 21% of the then remaining miles) which in 1982, 296 of the remaining 1,423 miles were put in service (also 21%). The rate of progress remains the same. The remaining 1,127 miles includes several controversial sections. A number of the sections in urbanized areas are expensive and complex requiring multi-stage construction.

However, with the increased authorization levels and Interstate discretionary funds being allocated to projects which contribute to the completion of Interstate segments not open to traffic, we expect to see an accelerated rate of progress in coming years.

STATE TAXES

Senator Andrews: The States are concerned that the "Feds" have raised gasoline taxes, thus taking away from them a potential revenue source. We are told that half of the States who might have considered a gas tax have reconsidered. The problem arises for the States when these Federal taxes pump money primarily into the Interstate System. Now we all want to preserve our highway investment and your program certainly does that for the Interstate System. But do you feel the States are getting adequate support for urban and secondary roads that are of tremendous important back home? What is going to be the perception of people paying 9 cents a gallon while their local roads still go neglected?

Response: The States actually were ahead of the Federal Government in raising revenue through gasoline taxes. Since 1980, over 30 States either raised their gas tax or changed to a variable rate tax. This surge in increased taxes between 1980 and 1982 was far greater than any other period on record. In addition, nearly 40 percent of State revenue for highway-related activities are derived from sources other than fuel oil, e.g., vehicle registration fees and sales taxes. These sources have not been affected by the Federal gasoline tax increase.

Federal support for secondary roads increased 63 percent, from 400 million in 1982 to 650 million for each year in the 1982 Surface Transportation Assistance Act (STAA). Federal support for bridge replacement and rehabilitation increased from $900 million in 1982 to an average of $1.75 billion through 1986. Bridges on both secondary and urban system roads are eligible for this increased funding. Urban highways on the primary system, which carry 22 percent of all urban travel will also benefit from a 45 percent increase in primary program funding. In general, if current trends in State and local support for highway improvements continue, there will be improvement rather than neglect observed by people paying a 9 cents per gallon gas tax.

HIGHWAY COST AND FINANCING

Senator Andrews: In the last 5 or 6 years, as a result of higher fuel prices, highway construction and maintenance costs far outpaced State and Federal revenues. A number of the States increased State fuel taxes, some passing variable taxes that were tied to fuel prices. Of course, the highway bill doubled the Federal assistance to the States, and recently fuel prices have been falling. Will the States be able to provide their share of the increased Federal aid after FY 1983 and FY 1984. If not, are they taking actions to increase State revenues?

Response: Based on current highway financing trends, it appears that States willbe able to provide their share of the increased Federal aid. The average annual increase in Federal aid resulting from the 1982 STAA and Highway Safety Act is approximately $750 million. Since 1980, total State receipts from highway-related revenue sources have increased approximately $1.05 billion per year. In general, if these trends continue, sufficient State revenue will be available to more than match the Federal increase in highway authorizations.

Senator Andrews: It has been reported as a result of the increased Federal aid, some States are curtailing State-funded highway work. Do you have any indication this is happening.? If so, should there be some requirement that the States maintain some level of effort?

Response: There is no evidence at this time that State-funded highway work is being curtailed. Even if this were the case, some short-term financial adjustments would not be unexpected since, in the past, the States have used this flexibility to react to unusual changes in Federal highway authorizations. In the longer term, however, States have demonstrated a desire to maintain their State-only highway programs, that are free of Federal regulations.

Senator Andrews: Provide for the record a report on the general status of the State highway financing position? Has it improved or gotten worse in the last few years?

Response: The attached Tabel HF-11, that is included in the Federal Highway Administration (FHWA) publication Highway Statistics, indicate a growth in total highway receipts for the States. These revenues have increased from $19.666 billion in 1980 to an estiamted $23.848 billion in 1982.

Senator Andrews: Also provide an analysis of how many States have taxes tied to fuel prices, and are they taking any actions to offset revenue losses as a result of the recent decline in fuel prices.

Response: The attached tables from the FHWA publication Highway Statistics lists States that have taxes tied to fuel prices. Most States that do have such a tax structure are protected from severly falling prices by minimum included in the rates.

TOTAL RECEIPTS FOR HIGHWAYS, ALL UNITS OF GOVERNMENT, 1980-1983[1]

(IN MILLIONS OF DOLLARS)

TABLE HF-11
JANUARY 1983

ITEM	COLLECTING AGENCIES								COLLECTING AGENCIES							
	FEDERAL GOVERNMENT				STATE AGENCIES AND D.C.	COUNTIES AND TOWNSHIPS	MUNICIPALITIES	TOTAL	FEDERAL GOVERNMENT				STATE AGENCIES AND D.C.	COUNTIES AND TOWNSHIPS	MUNICIPALITIES	TOTAL
	FEDERAL HIGHWAY ADMINISTRATION		OTHER FEDERAL AGENCIES	TOTAL FEDERAL					FEDERAL HIGHWAY ADMINISTRATION		OTHER FEDERAL AGENCIES	TOTAL FEDERAL				
	HIGHWAY TRUST FUND	OTHER FUNDS							HIGHWAY TRUST FUND	OTHER FUNDS						
	1980								1981							
IMPOSTS ON HIGHWAY USERS: 2/																
MOTOR-FUEL AND VEHICLE TAXES	6,419	-	-	6,419	16,111	142	191	28,829	6,463	-	-	6,463	15,178	190	193	21,944
TOLLS	-	-	-	-	1,344	27	273	1,644	-	-	-	-	1,488	36	258	1,774
PARKING FEES	-	-	-	-	34	9	76	99	-	-	-	-	6	3	30	39
SUBTOTAL	6,419	-	-	6,419	19,489	189	560	22,859	6,463	-	-	6,463	16,672	189	433	23,755
OTHER TAXES AND FEES:																
PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	1,371	1,036	2,407	-	-	-	-	-	1,375	1,120	2,495
GENERAL FUND APPROPRIATIONS	-	288	1,729	2,088	1,458	1,330	3,467	8,344	-	402	2,022	2,424	1,174	1,300	3,650	8,348
OTHER TAXES AND FEES	-	-	54	54	638	134	227	1,053	-	-	53	53	790	140	230	1,213
SUBTOTAL	-	288	1,783	2,138	2,096	2,844	4,730	11,808	-	402	2,075	2,477	1,964	2,815	4,000	12,056
INVESTMENT INCOME AND OTHER RECEIPTS	1,081	-	196	1,277	987	371	602	3,237	1,066	-	201	1,267	1,295	488	689	3,942
TOTAL CURRENT INCOME	7,496	288	1,979	9,830	18,930	3,404	5,932	37,684	7,849	402	2,276	10,227	19,931	3,404	5,035	39,307
BOND ISSUE PROCEEDS (PAR VALUE) 2/	-	-	-	-	1,128	291	692	2,111	-	-	-	-	965	290	685	1,770
GRAND TOTAL RECEIPTS	7,496	288	1,979	9,830	19,666	3,695	6,624	39,719	7,849	402	2,276	10,227	20,896	3,694	5,660	41,127
INTERGOVERNMENTAL PAYMENTS:																
FEDERAL GOVERNMENT:																
HIGHWAY TRUST FUND	-9,230	-	-	-9,230	9,026	13	191	-	-7,944	-	-	-7,944	7,668	88	211	-
ALL OTHER FUNDS	-	-333	-1,357	-1,690	670	826	196	-	-	-388	-1,436	-1,826	788	823	913	-
STATE AGENCIES:																
HIGHWAY-USER IMPOSTS	-	-	-	-	-3,963	2,212	1,751	-	-	-	-	-	-3,693	2,292	1,361	-
ALL OTHER FUNDS	-	-	-	-	-686	323	163	-	-	-	-	-	-446	300	146	-
COUNTIES AND TOWNSHIPS	-	-	-	-	181	-165	68	-	-	-	-	-	146	-226	80	-
MUNICIPALITIES	-	-	-	-	145	-4	-152	-	-	-	-	-	121	10	-131	-
SUBTOTAL	-9,230	-333	-1,357	-10,920	9,094	2,912	2,114	-	-7,944	-388	-1,436	-9,768	4,694	2,964	2,190	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	2,109	-30	-75	1,996	376	-118	-174	2,080	735	25	-1	759	-97	157	132	951
TOTAL FUNDS AVAILABLE	375	-15	547	906	29,936	6,491	8,462	41,795	340	39	839	1,218	25,413	6,725	8,722	42,078
	1982 (PRELIMINARY)								1983 (FORECAST)							
IMPOSTS ON HIGHWAY USERS: 2/																
MOTOR-FUEL AND VEHICLE TAXES	6,636	-	-	6,636	16,058	151	198	23,043	8,958	-	-	8,958	17,072	189	193	26,389
TOLLS	-	-	-	-	1,668	35	258	1,993	-	-	-	-	1,670	34	295	1,999
PARKING FEES	-	-	-	-	6	-	-	6	-	-	-	-	6	-	-	6
SUBTOTAL	6,636	-	-	6,636	17,712	186	456	24,942	8,958	-	-	8,958	18,748	194	488	28,328
OTHER TAXES AND FEES:																
PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	1,395	1,209	2,888	-	-	-	-	-	1,418	1,220	2,640
GENERAL FUND APPROPRIATIONS	-	461	2,088	2,816	1,292	1,329	3,504	8,629	-	196	2,088	2,284	1,418	1,348	3,680	8,652
OTHER TAXES AND FEES	-	-	51	51	967	148	246	1,398	-	-	50	50	1,082	165	265	1,842
SUBTOTAL	-	461	2,139	2,867	2,259	2,868	4,949	12,811	-	196	2,139	2,336	2,500	2,931	5,093	12,934
INVESTMENT INCOME AND OTHER RECEIPTS	1,095	-	206	1,301	1,309	488	629	3,626	950	-	192	1,142	1,480	428	640	3,682
TOTAL CURRENT INCOME	7,731	461	2,312	10,804	21,271	3,636	6,969	41,179	9,908	196	2,330	12,436	22,648	3,917	6,195	44,796
BOND ISSUE PROCEEDS (PAR VALUE) 2/	-	-	-	-	1,297	275	625	2,197	-	-	-	-	1,292	300	670	2,170
GRAND TOTAL RECEIPTS	7,731	461	2,312	10,804	22,568	3,711	6,893	43,376	9,908	196	2,330	12,436	23,940	3,917	6,825	46,926
INTERGOVERNMENTAL PAYMENTS:																
FEDERAL GOVERNMENT:																
HIGHWAY TRUST FUND	-7,092	-	-	-7,092	7,067	88	228	-	-9,103	-	-	-9,103	8,773	88	240	-
ALL OTHER FUNDS	-	-287	-1,462	-1,749	802	829	818	-	-	-121	-1,378	-1,499	448	932	522	-
STATE AGENCIES:																
HIGHWAY-USER IMPOSTS	-	-	-	-	-3,992	2,982	1,009	-	-	-	-	-	-4,258	2,676	1,582	-
ALL OTHER FUNDS	-	-	-	-	-697	310	147	-	-	-	-	-	-489	328	160	-
COUNTIES AND TOWNSHIPS	-	-	-	-	149	-225	85	-	-	-	-	-	185	-235	50	-
MUNICIPALITIES	-	-	-	-	160	12	-172	-	-	-	-	-	165	12	-176	-
SUBTOTAL	-7,092	-287	-1,462	-9,741	6,240	3,295	2,292	-	-9,103	-121	-1,378	-10,602	4,775	3,601	2,476	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	499	-	-	499	-744	109	70	-98	-490	-	-	-490	-566	82	48	-926
TOTAL FUNDS AVAILABLE	298	74	850	1,222	28,064	7,029	9,963	43,278	315	77	952	1,344	28,057	7,599	9,299	46,000

1/ FEDERAL AND STATE DATA ARE GENERALLY FOR CALENDAR YEARS; LOCAL DATA FOR FISCAL YEARS ENDING IN VARIOUS MONTHS OF THE CALENDAR YEAR. DATA FOR 1980 ARE FINAL; THOSE FOR LATER YEARS ARE SUBJECT TO FUTURE ADJUSTMENTS.

2/ EXCLUDES AMOUNTS ALLOCATED FOR NONHIGHWAY PURPOSES. MOTOR-FUEL AND VEHICLE TAXES ARE NET AFTER REFUNDS AND COLLECTION EXPENSES. PARKING FEES ARE AMOUNTS IN EXCESS OF PARKING COSTS CONSIDERED AVAILABLE FOR HIGHWAYS.

3/ PROCEEDS OF SHORT-TERM NOTES AND REFUNDING ISSUES ARE EXCLUDED. PREMIUM AND DISCOUNTS ON SALE OF BONDS ARE INCLUDED WITH "INVESTMENT INCOME AND OTHER RECEIPTS".

4/ MINUS SIGNS INDICATE THAT FUNDS WERE PLACED IN RESERVES.

STATES WITH VARIABLE MOTOR-FUEL TAX RATES

AS OF APRIL 1, 1983

MF-121VT
REVISED MARCH 1982

STATE	BASIS OF TAX RATES	TAX RATES	CHANGES PER YEAR	FACTORS						
				GROSS RECEIPTS	CONSUMER PRICE INDEX	CENTS PER GALLON	RETAIL PRICE	WHOLE-SALE PRICE	MOTOR FUEL GALLON-AGE	HIGHWAY MAINTE-NANCE COSTS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
DIST. OF COL.	CHANGE IN CONSUMER PRICE INDEX.	14	1		X					
INDIANA	10¢ OF FIRST DOLLAR AND 8% OF EXCESS OVER A DOLLAR OF AVERAGE PRE-TAX RETAIL PRICE OF GASOLINE WHICH IS DETERMINED FOR THE MONTH 9 MONTHS PRIOR TO RATE CHANGE RATE ON STATE-WIDE AVERAGES FROM SALES TAX RETURNS. THE RATE THAT EXISTS IN ONE PERIOD SERVES AS THE MINIMUM RATE FOR THE NEXT PERIOD.	11.1	2				X			
KENTUCKY	9% OF WEIGHTED AVERAGE TANK WAGON WHOLESALE PRICE OF GASOLINE WITH A MINIMUM OF $1.11 PER GALLON.	10	4					X		
MASSACHUSETTS	10% OF WEIGHTED AVERAGE OF SELLING PRICE EXCLUSIVE OF FEDERAL AND STATE TAXES.	10.6	4				X			
MICHIGAN	A FORMULA IS BASED ON FUEL CONSUMPTION AND MAINTENANCE INDEX (U.S.D.O.T.). THE TAX RATE INCREASE CAN NOT EXCEED MORE THAN 2 CENTS PER GALLON OVER THE PREVIOUS YEAR.	13	1						X	X
NEBRASKA	11.8 CENTS PER GALLON PLUS 2% OF AVERAGE FUEL PRICE PAID BY THE STATE.	14	4			X		X		
NEW MEXICO	SCHEDULE OF WHOLESALE PRICES PLUS FEDERAL TAX WITH A RANGE OF 7 TO 11 CENTS PER GALLON WITH A MAXIMUM ANNUAL INCREASE LIMITED TO 1 CENT.	10	2					X		
OHIO	7 CENTS PER GALLON PLUS ADDITIONAL CENTS PER GALLON BASED ON A FORMULA CONSIDERING MOTOR FUEL CONSUMPTION AND HIGHWAY MAINTENANCE COSTS.	11.7	1			X			X	X
PENNSYLVANIA	11 CENTS PER GALLON PLUS 3.5% OF GROSS RECEIPTS ON HIGHWAY PETROLEUM PRODUCT SALES.	11		X		X				
RHODE ISLAND	11¢ OF WEIGHTED AVERAGE OF SELLING PRICE EXCLUSIVE OF FEDERAL AND STATE TAXES WITH 13 CENTS PER GALLON AS A MINIMUM FUEL TAX PLUS 1% TAX ON GROSS EARNINGS BY PETROLEUM COMPANIES.	13	4	X			X			
VIRGINIA	11 CENTS PER GALLON PLUS 3% OF REVENUES ON PETROLEUM SOLD FOR HIGHWAY USE. THE TAX MAY BE CALCULATED USING THE ACTUAL SALE PRICE OR THE AVERAGE WHOLESALE PRICE ESTABLISHED BY THE COMMISSIONER OF MOTOR VEHICLES.	11	4	X		X				
WASHINGTON	WEIGHTED AVERAGE RETAIL PRICE WITH A RANGE OF 12 CENTS TO 16 CENTS PER GALLON. A RATE MAY NOT EXCEED THE EFFECTIVE RATE ON JUNE 30 OF THE PRIOR YEAR BY MORE THAN 2 CENTS PER GALLON.	12	2				X			

SALES TAX ON MOTOR FUEL BY STATE OR LOCAL GOVERNMENTS

AS OF JANUARY 1, 1983

MF-121S
REVISED FEBRUARY 1983

STATE	STATE			LOCAL			
	RATE	PROVISION	DEDICATION TO HIGHWAY OR OTHER	RATE	PROVISION	DEDICATION TO HIGHWAY OR OTHER	
						UNITS IMPOSED	PURPOSE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALABAMA	4	APPLIES TO NON-HIGHWAY USE OF DIESEL.					
ARKANSAS	3	APPLIES TO GASOHOL ONLY.					
CALIFORNIA	4.75	APPLIES TO SALES PRICE INCLUDING FEDERAL AND STATE MOTOR FUEL TAX. THERE IS A 3 CENTS PER GALLON GASOHOL TAX EXEMPTION AFTER SALES PRICE HAS BEEN COMPUTED.	1/	1.25	ADDITIONAL LOCAL TAX IS ASSESSED ON SALES PRICE EXCEPT IN BAY AREA THE RATE IS 1.75%.		
GEORGIA	3	A SECOND MOTOR FUEL TAX ASSESSED SIMILAR TO SALES TAX ON PRICE INCLUDING FEDERAL MOTOR FUEL TAX.	HIGHWAY				
HAWAII	4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES. GASOHOL IS EXEMPTED.	HIGHWAY				
ILLINOIS	4	APPLIES TO SALES PRICE EXCLUDING STATE MOTOR FUEL TAXES. GASOHOL IS EXEMPTED.	1/	1	ADDITIONAL SALES TAX IS ASSESSED BY MOST LOCAL GOVERNMENTS.		
INDIANA	4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES. GASOHOL IS EXEMPTED.					
KANSAS	3			1.5	THIS IS THE MAXIMUM RATE THE CITY OR COUNTY ASSESS ON AVIATION FUEL WHICH IS NOT SUBJECT TO REFUND.		
MICHIGAN	4	APPLIES TO SALES PRICE INCLUDING FEDERAL MOTOR FUEL TAX EXCEPT THOSE WHO HAVE A SALES TAX EXEMPTION CERTIFICATE.					
MISSISSIPPI	5	APPLIES TO SALES PRICE INCLUDING FEDERAL AND STATE MOTOR FUEL TAXES.	1/				
NEW YORK	4	APPLIES TO SALES PRICE INCLUDING FEDERAL MOTOR FUEL TAX.		1-4	LOCAL GOVERNMENTS ASSESS VARYING RATES.		
VIRGINIA				2	APPLIES TO RETAIL SALES WITHIN A COUNTY OR CITY WHICH IS A MEMBER OF ANY TRANSPORTATION DISTRICT IN WHICH A HEAVY RAIL COMMUTER MASS TRANSPORTATION SYSTEM OR A BUS COMMUTER MASS TRANSPORTATION SYSTEM ARE OWNED AND OPERATED BY A TRANSPORTATION AGENCY.	5	TRANSIT

1/ PORTION OF SALES TAX REVENUE IS DEDICATED FOR HIGHWAY AND/OR MASS TRANSPORTATION PURPOSES. SEE TABLES S-10S OR MF-10S FOR DETAILS.

NEW FEDERALISM

Senator Andrews: What is the status of the Administration's revised New Federalism initiative?

Response: The President's legislative package was transmitted to Congress on February 24. The transportation component of the Administration's proposal was introduced to the Senate at the Administration's request by Senator Stafford on March 10 as S. 767: The Federalism Block Grant Highway Act of 1983. It was referred jointly to the Committees on Environment and Public Works, and Finance.

Senator Andrews: What highway programs are included in any new block grants? Would the Federal Government include any highway safety activities in a turnback to the States?

Response: This ground transportation grant would consolidate six highway programs: urban system, secondary system, non-primary bridges, highway safety (FHWA 402 grants), and the safety construction programs of hazard elimination and real-highway crossings.

Senator Andrews: Last year you indicated that 61 percent of inventoried off-system bridges were deficient. How will you ensure that sufficient funding is included in a block grant to address this bridge problem?

Response: The purpose of the block grant is to remove unnecessary restrictions on State decisionmaking and to give the States the flexibility to respond to their own priorities. States could spend the funds on any purpose that is currently eligible under Chapter I of Title 23, including off-system bridges.

55-MILE-PER-HOUR ENFORCEMENT

Senator Andrews: Bills have been introduced in the House to repeal the 55-mile-per-hour speed limit. What is the Department's position on legislation of this type?

Response: Section 204 of Title II of the Surface Transportation Assistance Act of 1982 calls for the Secretary of Transportation to arrange with the National Academy of Sciences Transportation Research Board for a comprehensive study of the benefits of the 55-mile-per-hour speed limit. The report is due to the Secretary and to Congress in January 1984. The Secretary has indicated that DOT will not propose any legislative modification to the 55 speed limit until the study results are available.

Overall the DOT has consistently favored returning the authority to set speed limits to the States. We would support a clear cut concensus within Congress to amend or repeal existing law.

Senator Andrews: What consideration are you giving to granting States exemptions that a certain percentage of their motorists comply with the 55-mile-per-hour speed limit?

Response: The criteria for judging State compliance with 23 U.S.C. 154(f) (50 percent maximum allowable noncompliance), must take into account the variability of speedometer readings (23 U.S.C. 154(e))

and statistical adjustments. We (FHWA/NHTSA) have developed adjustment procedures for the States to use. For example, 30 States reported greater that 50 percent exceeding 55 miles per hour for fiscal year 1982 before application of the adjustment factors. After adjustment, two States--Massachusetts and Nevada--remain with a figure over 50 percent. A hearing process is being initiated with both States, the result of which will determine the amount of penalty (5 percent maximum reductions of fiscal year 1984 Federal-aid Primary, Federal-aid Secondary, and Federal-aid Urban apportionments) each State will be assessed. Other than this hearing process, we have no discretion to grant exceptions to the congressionally mandated limit of no more than 50 percent exceeding 55 miles per hour.

ENFORCEMENT OF 55 MPH SPEED LIMIT

Senator Andrews: The law requires that the Governor of each State certify to the Secretary of Transportation before January 1 of each year that the State has established and enforced a maximum speed limit of 55 mph on the public highways within its jurisdiction. Were any States penalized by the Department of Transportation's reducing their apportionments of Federal-aid Highways funds for fiscal year 1983? What were these States and how much were they penalized?

Response: No penalties were assessed for fiscal year 1983 in connection with enforcement of the 55 mph speed limit.

MBE SET-ASIDE

Senator Andrews: We understand you are receiving comments on this regulation. Are the States unable to obligate highway funds while they await final MBE guidance?

Response: Upon enactment of the Surface Transportation Assistance Act of 1982 and shortly thereafter, interim instructions including State by State overall minority business enterprise goals for fiscal year 1983 were sent to the Federal Highway Administration field offices. These issuances provided guidance to the States to assure prompt implementation of the MBE requirements of Section 105 (f) of the Act and to preclude or minimize any disruption of the timely obligation of highway funds by the States. We are not aware of any State having been delayed in obligating highway funds because of the MBE requirements. Copies of the interim instructions sent to our field offices are attached.

MEMORANDUM FROM RAY A. BARNHART

Subject: Surface Transportation Assistance Act (STAA) of 1982 Section 105(f) Socially and Economically Disadvantaged Small Business "MBE Program"

Date: February 18, 1983

From: Federal Highway Administrator

Reply to Attn of: HCC-50.2

To: Regional Federal Highway Administrators
Regions 1-10

The purpose of this memorandum is to discuss the implementation of Section 105(f) of the STAA of 1982 which states:

> Except to the extent that the Secretary determines otherwise, not less than 10 per centum of the amounts authorized to be appropriated under this Act shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals as defined by section 8(d) of the Small Business Act (15 U.S.C., section 637(d) and relevant subcontracting regulations promulgated pursuant thereto.

As of January 6, 1983, Section 105(f) became a legal requirement applicable to States and other recipients of Federal-aid highway funds. These recipients should be advised that it is their responsibility to expeditiously develop and use affirmative action techniques to facilitate increased MBE participation in contracting activities. Division Administrators should meet with their State counterparts to discuss this matter and to review the State's plan to insure the maximum feasible MBE participation.

New rulemaking to implement Section 105(f) will be published in the Federal Register as soon as possible. However, we need to gear up now to comply with the statute as it applies to current fiscal year funds. Delay would make it much more difficult for recipients to meet the higher goal for fiscal year 1983. Therefore, until the new implementing final rules are issued, the following instructions should be used as guidance.

1. Continue to implement existing 49 CFR Part 23 with the new statutory goal of 10 percent not including firms owned and controlled by women who have not been found to be socially or economically disadvantaged.

2. Since the FY 1983 program is well underway, we are adopting expedited procedures for establishing MBE program goals for this year. The State's goals are listed in the attachment. These goals have been determined in most cases, by weighing the goals previously submitted by the States by a factor of 1 (to represent the portion of the fiscal year prior to the enactment of the STAA of 1982) and the 10 percent goal by a factor of 3 (to represent the portion of the fiscal year after enactment). The percentage goals shall be applied to the Federal-aid share of the total amount of contracts awarded during FY 1983 unless the Administrator has granted a deviation.

3. States may request a deviation in accordance with 49 CFR 23.41(f).

Please emphasize that the States must take action now to achieve MBE participation consistent with the statutory mandate.

Your personal attention to this matter is appreciated.

R. A. Barnhart

Attachment

FEDERAL-AID FY 1983 MBE GOALS

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

	STATE	FY 83 MBE GOALS PROP. BY THE STATES	FY 83 MBE GOALS TO BE ACHIEVED
1	CONNECTICUT	5.0	8.8
	MAINE	2.0	8.0
	MASSACHUSETTS	2.5	8.1
	NEW HAMPSHIRE	2.0	8.0
	NEW JERSEY	3.0	8.3
	NEW YORK	8.0	9.5
	RHODE ISLAND	4.0	8.5
	VERMONT	1.0	7.8
	PUERTO RICO	-	98.9
	TOTAL		
3	DELAWARE	3.0	8.3
	MARYLAND	10.0	10.0
	PENNSYLVANIA	3.16	8.3
	VIRGINIA	3.0	8.3
	WEST VIRGINIA	2.0	8.0
	DIST. OF COLUMBIA	25.0	25.0
	TOTAL		
4	ALABAMA	0.88	7.7
	FLORIDA	3.0	8.3
	GEORGIA	2.5	8.1
	KENTUCKY	2.1	8.0
	MISSISSIPPI	2.5	8.1
	NORTH CAROLINA	3.6	8.4
	SOUTH CAROLINA	1.85	8.0
	TENNESSEE	2.25	8.1
	TOTAL		
5	ILLINOIS	3.25	8.3
	INDIANA	2.0	8.0
	MICHIGAN	5.2	8.8
	MINNESOTA	2.0	8.0
	OHIO	5.36	8.8
	WISCONSIN	2.0	8.0
	TOTAL		
6	ARKANSAS	2.0	8.0
	LOUISIANA	3.5	8.4
	NEW MEXICO	5.9	9.0
	OKLAHOMA	4.0	8.5
	TEXAS	1.5	7.9
	TOTAL		
7	IOWA	1.0	7.8
	KANSAS	3.0	8.3
	MISSOURI	1.5	7.9
	NEBRASKA	1.4	7.9
	TOTAL		
8	COLORADO	15.0	15.0
	MONTANA	1.2	7.8
	NORTH DAKOTA	0.92	7.7
	SOUTH DAKOTA	0.4	7.6
	UTAH	2.0	8.0
	WYOMING	0.3	7.6
	TOTAL		
9	ARIZONA	7.0	9.3
	CALIFORNIA	13.0	13.0
	HAWAII	17.0	17.0
	NEVADA	6.0	9.0
	TOTAL		
10	ALASKA	6.0	9.0
	IDAHO	3.5	8.4
	OREGON	5.0	8.8
	WASHINGTON	10.0	10.0
	TOTAL		
	GRAND TOTAL		

The FY 1983 MBE goals have been determined, in most cases, by weighing the goals previously submitted by the States by a factor of 1 (to represent the portion of the fiscal year prior to enactment of the STAA of 1982) and the 10 percent goal by a factor of 3 (to represent the portion of the fiscal year after enactment). In some cases, States submitted higher goals than the overall goals calculated by using the weighted average. In these instances, the higher goals submitted by the States are retained for FY 1983. Puerto Rico's FY 1983 goal is set at the same level as last year's achievement.

Iowa and Nebraska submitted overall MBE goals of $1,000,000 each for FY 1983. These dollar goals were converted to percentage goals using last year's apportionments to these States.

Subject **INFORMATION:** Interim Guidance for Implementing the Surface Transportation Assistance Act (STAA) of 1982

Date January 6, 1983

From Federal Highway Administrator

Reply to Attn of HPP-20

To Regional Federal Highway Administrators, Regions 1-10

The President has signed the STAA into law, effective January 6. You have previously received a draft summary Fact Sheet outlining the major provisions of the Act. The purpose of this memorandum is to transmit guidance on particular aspects of the new law for which Division Administrators may have immediate need. Further guidance on these provisions, as well as on others included in the new law, will be forthcoming from the responsible program offices. The attached Implementation Assignments for the Act indicate the tentative FHWA lead office for each section by Associate Administrator. These offices should be contacted as necessary for more specific guidance.

The Act also provides a change in the Federal match for various projects. These changes are prospective and apply to new project authorizations (PS&E); the general rule of eligibility applies. Further guidance on specific changes will be furnished shortly and any interim questions should be addressed to the Chief, Finance Division (HFS-20). Similarly, the Act provides funds for certain new project activities. Any Division Administrator needing an appropriation code for work under a new activity should seek the advice of the Chief, Program Analysis Division (HFS-30).

Please ensure that this information is transmitted rapidly to the Division Administrators for use in dealing with their States.

Thank you.

2 Attachments

Ray Barnhart

R. A. Barnhart

ATTACHMENT NO. 1

HPP-20
LEG-#71
1/6/83

Guidance on Specific Provisions of the Surface Transportation Assistance Act of 1982

Section 105(f)--Socially and Economically Disadvantaged Small Business

23 CFR 635.106 and FHPM 6-4-1-6, paragraph 6, affirmatively encourage minority business participation in the highway construction program. In the past directives, the amount of participation has not been specified. The new legislation specifies that except to the extent that the Secretary determines otherwise, not less than 10 percent of the amounts authorized to be appropriated under the STAA of 1982 shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals. While achievement of the 10 percent obligation level will probably not be a requirement in every State, each FHWA field office and State highway agency should immediately begin to adjust their program to reflect the increased emphasis the STAA of 1982 places on this program. This section is effective upon the signing of the act by the President. Further instructions will be issued as soon as possible.

Section 109--Energy Impacted Roads

Pending receipt of additional advice on this section, projects should be limited to work on Federal-aid system routes which clearly warrant 4R improvements as a result of heavy use of such routes for transporting, on a continuing basis, energy materials such as coal and petroleum products. It will be the responsibility of the State to fully support proposals under this section in order to establish a basis for FHWA approval. Any proposals to do this should be referred to Headquarters initially until further guidance is issued.

Section 110--3R Projects

Emphasizes that 3R projects on nonfreeway highways shall be constructed in accordance with standards to preserve and extend the service life of the highways and enhance

highway safety. The legislation, along with supporting statements, stresses Congress' continuing concern that all Federally-assisted highway improvements enhance safety to the maximum extent practical. The criteria developed by the States and approved by the Division Administrators in conformance with the 3R Final Rule and the Technical Advisory will be acceptable as long as the enhancement of safety is stressed.

Section 112--Letting of Contracts

This section changes the exception to the general requirements of competitive bidding (23 U.S.C. 112) from a finding by the Secretary that some other method is in the public interest to a demonstration by the State highway department to the satisfaction of the Secretary that some other method is more cost effective. It also changes the competitive bidding requirements for Federal-aid secondary projects advanced under Certification Acceptance. These changes will be incorporated in the revision to FHPM 6-4-1-14 and possibly in 23 CFR 635, Subpart B. This section is effective upon signing of the Act by the President.

Section 114--Maintenance

This section amends 23 U.S.C. 226(c) to permit the Secretary to withhold project approval on the Federal-aid system involved for projects in specific areas within a State, or for the entire State, where the Secretary finds that a project is not being properly maintained. FHPM 6-4-3-1, Maintenance Inspection and Reporting will be changed to incorporate these revisions. This section is effective upon the signing of the Act by the President.

Section 115(a)--Interstate Discretionary Funds

Authorizes the distribution of funds on a discretionary basis to a State that is eligible for an allocation. Distribution will be based on priorities: (1) high cost projects which directly contribute to the completion of an Interstate segment which is not open to traffic, and (2) projects of high cost in relation to a State's apportionment. $300,000,000 is set aside annually from the Interstate authorization together with lapsed Interstate funds and any funds derived from a reduction of apportionment under Section 103(e) of Title 23 U.S.C.

Current Notice on Interstate Discretionary Funds is obsolete.

Section 116(c)--Interstate Fund Transfers

This section specifies conditions that permit approval of requests by States to transfer up to 50 percent of each years' Interstate construction apportionment to its Interstate 4R apportionment.

The next cost estimate is required to be reduced in an amount equal to the amount transferred. Requests should be referred to Headquarters.

Section 118--Fringe and Corridor Parking

This section amends Section 137 of Title 23 to add subsection (f)(1) which allows Interstate 4R funds to be used for preferential parking for carpools without any requirement that public transportation be involved. The funds can be used for ROW acquisition, new construction and designation of existing facilities. To be consistent with Section 146 of Title 23 we will assume that the term "carpool" includes vanpools.

Section 120--Public Transportation

This section amends Section 142 of Title 23 in two significant ways.

First, Section 142(a)(1) is modified to allow the inclusion of shuttle service costs in the rates charged for parking.

Second, the term "high occupancy vehicle" is substituted in a number of places to create the choice (flexibility) of having HOV lanes and fringe or corridor parking facilities with or without public transportation involvement.

Section 123--Carpool and Vanpool Projects

Subsection (a) modifies Section 120(d) of Title 23 to establish permissive authority for 100 percent financing of "commuter carpooling and vanpooling."

Section 125--Hazard Elimination Program Extension

This section extends the eligibility of Hazard Elimination Program funds (23 U.S.C. 152) to all public roads (other than the Interstate System). States may be advised that highway

safety improvement projects on all public roads (other than the Interstate System) which presently are being identified under the provisions of 23 CFR 924 are eligible for funding under the Hazard Elimination Program. The extension of eligibility applies to all unobligated Hazard Elimination Program funds.

Section 142--Innovative Technologies

This section includes a provision to increase the Federal share regardless of funding category by 5 percent for a project which uses "materials which are produced from recycled materials or which contain asphalt additives to strengthen the materials." "To be eligible for such supplemental Federal assistance, significant amounts of asphalt additives or recycled materials must be used in each project." The Act provides for implementation of this provision within 90 days. We will provide guidance concerning the projects which qualify within this time period. The increased Federal share of 5 percent will not be available until this guidance is issued.

Section 148--Convict Labor

23 U.S.C. 114(b) is expanded to prohibit the use of materials produced by convict labor, as well as the use of convict labor on construction of Federal-aid highways. This change will require revision to FHPM 6-4-1-6, paragraph 21 and 23 CFR 635.124 to highlight this expanded prohibition. This section is effective upon signing of the Act by the President.

Section 149--Prevailing Rate of Wage

This section amends 23 U.S.C. 113(a) relating to the application of the Davis-Bacon Act wage rates. The provision currently applies to "initial construction." This amendment deletes the word "initial." FHWA Notices N 5020.18 and N 4570.1 are rescinded upon signing of the Act by the President. A formal Notice to this effect will follow as soon as possible.

Section 165--Buy America

This section amends current provisions in the Buy America requirements. An amendment to existing 23 CFR 635.410 is being prepared and will be issued as an emergency rule. However, because the provisions are effective immediately, any construction projects authorized after the signing of the STAA of 1982 will need to reflect the new law. The emergency rule will include the following major requirements.

1. Cement and all steel products are now covered by Buy America requirements.

2. While the overall waiver provisions are essentially the same, the cost differential for a project based on using domestic material versus using foreign material must now be 25 percent before foreign material can be used.

The current threshold for "Buy America" applicability, projects $450,000 or greater, will remain in effect. Also, if a State has its own Buy America requirements which are more stringent than provisions in the STAA of 1982, the rule will permit the use of those requirements on Federal-aid construction projects.

Section 427--Codification Corrections

This now clears up the question of criminal penalty authority over private carriers of nonhazardous materials, which was clouded by conflicting holdings by two United States Circuit Courts of Appeal, after the partial recodification of the Interstate Commerce Act in 1978. It will now be possible to process criminal cases against private carriers of nonhazardous materials for violations of the FMCSR occurring in all jurisdictions after the date of enactment.

More specific guidance concerning pending cases, the disposition of cases in States included in the jurisdiction of the 5th Circuit, and the relationship of the dates of violations to the effective date of the new provision will follow.

ATTACHMENT No. 2

SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982
TITLE I--HIGHWAY IMPROVEMENT ACT OF 1982

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
102	108(b), '56 Act	Interstate System Authorizations		HAD
103	4(b), '82 Act	Interstate Minimum		HAD
104	1106, '81 OBRA	Obligation Ceiling		HAD, HEO
105(a),(b),(e)		Highway Authorizations		HAD, HEO
(c)		Priority Primary Consideration		HEO
(d)		Primary and Secondary 4R		HEO
(f)		Small Business Requirement	SBA	HEO, HAD, HCR
106	105, '78 Act	Interstate 4R Authorizations		HAD
107(a)	23 U.S.C. 103(e)(4)	Interstate Transfers Authorization		HAD
107(a)		Interstate Highway Transfer Cost Estimate and Discretionary		HEO, HAD
		Transit Cost Estimate & Discretionary	UMTA	HPL, HEO
107(b),	23 U.S.C. 103(e)(4)	Interstate Withdrawal Restrictions		HEO, HPL
(c),(d),(e),(f),(g)	23 U.S.C. 103(e)(4)			HEO
108		Primary Formula		HAD
109	23 U.S.C. 105	Energy Impacted Roads		HEO, HPL, HAD
110(b)	23 U.S.C. 109	3R Standards Study	NAS	HEO,HSA,HP
110(b)		Hot Dip Galvanizing Process Study	NAS	HRD
110(c)		Design Quality Study	NGS, ASTM	HRD, HEO
111		Vending Machines		HEO
112	23 U.S.C. 112	Letting of Contracts		HEO
113	23 U.S.C. 115(b)	Advance Construction (Bridge and Other)		HAD, HEO
114	23 U.S.C. 116	Maintenance		HEO

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
115	23 U.S.C. 118(b)	Interstate Discretionary Funds		HAD, HEO
116	23 U.S.C. 119(a)	Interstate 4R Transfers		HAD, HEO
117	23 U.S.C. 120(c)	Federal Share		HAD, HEO
118	23 U.S.C. 137	Fringe and Corridor Parking		HPL, HEO, HSA
119	23 U.S.C. 140	Nondiscrimination		HCR, HAD, HEO
120	23 U.S.C. 142(a)	Public Transportation		HPL, HEO, HSA
121	23 U.S.C. 144(e)	Bridge Program Formula		HEO, HAD
122(a) 122(b)(c)	23 U.S.C. 144	Discretionary Bridge Program		HEO, HAD HEO
123(a) 123(b)	23 U.S.C. 120(d)	Carpool and Vanpool Projects		HAD, HSA HPL, HEO, HSA
124	23 U.S.C. 150	Allocation of Urban Funds		HPL, HAD
125	23 U.S.C. 152	Hazard Elimination Program Extension		HSA
126	23 U.S.C. 217	Bicycle Transportation		HEO, HAD, HSA
126(a)(b)(c)	23 U.S.C. 202 23 U.S.C. 204	Federal Lands	DOI USDA	HEO, HAD
126(d)	23 U.S.C. 206 23 U.S.C. 207 23 U.S.C. 208 23 U.S.C. 209 23 U.S.C. 214(c)	Program Repeals (Federal Lands)		HEO
127	108, '56 Act	Parking Ramps and Frontage Roads		HEO, HPL, HSA

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
128		Project Eligibility (Charlestown, Mass.)		HEO
129		Acceleration of Projects		HEO
130		Four Lane Bridges (California)		HEO
131(a)		Los Angeles Demonstration		HEO, HAD
131(b)		State of the Art Technology Demo (Pa.)		HRD,HEO,HAI
131(c)		Buhne Point-Humboldt Bay Co. Demo		HEO,HAD,HRI
131(d)		East Baton Rouge, La. Demo		HEO, HAD
131(e)		Louisville, Ky. Demo		HEO, HAD
131(f)		Certification of State Procedures Demo (Vt.)		HEO, HAD
131(g)		Devil's Lake, North Dakota Demo		HEO,HAD,HRI
131(h)		Urban System Bridge Demo		HEO, HAD
131(i)		Idaho Primary Demo		HEO, HAD, HRD, HSA
131(j)		Illinois Demo		HEO, HAD
132		Bridge Projects Federal Share (Tenn.)		HAD, HEO
133	23 U.S.C. 127	Vehicle Size and Weight Limits		HSA, HPL, HEO
134		Martin Luther King Bridge		HEO
135		Manpower Study	NAS	HAD, HPL
136		Ferryboat Study	OTA	HRD, HPL
137(a)		Weather-related Factors Study		HRD,HPL,HEC
137(b)		4R Apportionment Factors Study		HPL,HEO,HRI
138		Report Regarding Longer Combination Commercial Motor Vehicles		HPL, HEO HSA, HRD
139		Change in Location of Interstate Segments (North Carolina)		HEO

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
140		Access Control Demonstration Projects		HEO
141		Revision of Project Agreement (N.J.)		HEO, HAD, HRE
142		Innovative Technologies		HEO,HAD,HRI
143		Enforcement of Heavy Vehicle-Use Tax		HAD, HPL
144		Monitoring of Effect of Double Bottom Trucks	NAS	HPL, HSA HEO, HRD
145		Temporary Matching Fund Waiver		HAD, HPL, HEO
146		Lane Restrictions		HEO
147		Upgrading Certain Interchanges (Cal.)		HEO
148	23 U.S.C. 114(b)	Convict Labor		HEO
149	23 U.S.C. 113(a)	Prevailing Rate of Wage		HEO
150	23 U.S.C. 157	Minimum Allocation		HAD, HPL
151	163(p), '73 Act	RR--Highway Crossing Demonstration		HEO, HAD
152		Methane Conversion for Highway Fuel Use Study		HRD
153	23 U.S.C. 125(a)	Emergency Relief		HEO, HAD
154	16½(f), '73 Act	Highland Scenic Highway		HEO
155	23 U.S.C. 210(c)	Defense Access Road		HEO, HAD
156	23 U.S.C. 307 23 U.S.C. 120(l)	Research and Planning		HPL, HRD, HAD
158	23 U.S.C.(a)	Alaska Highway		HEO, HAD

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
159	23 U.S.C. 101(a)	Definition		HAD
160(a)	23 U.S.C. 307	Reports		HPL
160(b)				HPL
161		Discretionary Bridge Criteria		HEO
166		Withdrawal and Designation of Certain Interstate Routes		HEO, HPL
167		Use of High Occupancy Lanes		HSA,HEO,HR
168		Infrastructure Study	House PW&T	HPL, HEO
169		Buy America		HEO
		TITLE II--HIGHWAY SAFETY ACT OF 1982		
202		Highway Safety Authorizations		HAD
203(a)(c)		Highway Safety	NHTSA	HSA, HAD
203(b)		Safety Obligation Ceiling	NHTSA	HAD, HSA
203(d)		402 Recission		HAD
204		55 MPH Benefits Study	NAS	HRD, HSA
			NHTSA	
205		Rail-Highway Crossings		HAD
206		Public Information	NHTSA	HSA, HAD
207		Safety Performance Reports		HSA, HPL
208		Annual Apportionment Formula		HAD
209		Minimum Drinking Age	NHTSA	HSA

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
		TITLE III--FEDERAL PUBLIC TRANSPORTATION ACT OF 1982		
302(a)	Sections 21 and 22	Authorization of Appropriations	UMTA	
(a)(2)(c) 3 & 4	'64 UMT Act	Section 18	UMTA	HPL
303	'64 UMT Act	Block Grants	UMTA	HPL
304	3(a)(2)(A), '64 UMT Act	Existing Capital Grant Program	UMTA	HPL
305	3(a)(4), '64 UMT Act	Letters of Intent	UMTA	HPL
306	4(d), '64 UMT Act	Research and Training Grants	UMTA	HPL
307	5, '64 UMT Act	Availability of Funds	UMTA	HPL
308	12(b)(2), '64 UMT Act	Competitive Procurement	UMTA	HPL
309	12(c)(1), '64 UMT Act	Definitions	UMTA	HPL
310		Performance Reports	UMTA	HPL
311		Construction Condition	UMTA	HPL
312		Loan Repayment	UMTA	HPL
313	3(a)(1)(4), '64 UMT Act	Advance Acquisition of Rights-of-Way	UMTA	HPL
314		Feasibility Study	UMTA	HPL
315		Study of Long-Term Leverage Financing	UMTA	HPL
316	18, '64 UMT Act	Formula Grants for Nonurbanized Areas	UMTA	HPL
317	16(b), '64 UMT Act	Elderly and Handicapped Assistance	UMTA	HPL
318	107, '74 Mass Transit Assistance Act	Repeal of Safety Authority	UMTA	HPL

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
		TITLE IV--PART A, COMMERCIAL MOTOR VEHICLE SAFETY		
401		Definitions		HSA
402		Grants to States		HSA, HAD
403		Federal Share of Costs		HAD, HSA
404		Authorizations		HAD
405		Protection of Employees		HSA
406	'30, '80 Motor Carrier Act	Minimum Financial Responsibility of Motor Carriers		HSA
		PART B, COMMERCIAL MOTOR VEHICLE LENGTH LIMITATION		
411		Length Limitation on Federally Assisted Highways		HSA, HPL, HEO
412		Access to the Interstate System		HSA, HPL, HEO
413		Enforcement		HCC, HSA
414		Splash and Spray Suppressant Devices		HSA, HRD
415		Report Regarding Longer Combination Commercial Motor Vehicles		HPL, HSA, HEO, HRD
421	'71 Federal Boat Safety Act	State Recreational Boating	USCG, IRS	
422		Reforestation	USDA	
423		Saltonstall-Kennedy Act Amendment	?	
424		Ocean Dumping	EPA	

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
425		Merchant Marine Act, 1936		
426		Airport and Airway Development Program	FAA	
427	49 U.S.C. 11909	Codification Corrections		
		TITLE V--HIGHWAY REVENUE ACT OF 1982		
502		Amendment of 1954 Code	Treasury	HCC
		SUBTITLE B--TAX CHANGES		
511	'54 IRS Code	Motor Fuel Taxes	Treasury	HPL
512	'54 IRS Code	Excise Tax on Heavy Trucks	Treasury	HPL
513 513(g)	'54 IRS Code	Heavy Truck Use Tax Study of Alternatives to Tax on Use of Heavy Trucks	Treasury	HPL
514	'54 IRS Code	Taxes on Heavy Truck Tires	Treasury	HPL
515	'54 IRS Code	Repeal of Tax on Lubricating Oil	Treasury	HPL
516	'54 IRS Code	Period Taxes and Exemptions in Effect	Treasury	HPL
517	'54 IRS Code	Treatment of Certain Motor Carrier Operators	Treasury	HPL
518	'54 IRS Code	Extension of Payment Due Date for Certain Motor Fuel Taxes	Treasury	HPL

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
		SUBTITLE C--FLOOR STOCK PROVISIONS		
521		Floor Stocks Taxes	Treasury	HPL
522		Floor Stocks Refunds	Treasury	HPL
523		Definitions and Special Rule	Treasury	HPL
		SUBTITLE D--HIGHWAY TRUST FUND: MASS TRANSIT ACCOUNT		
531		4-Year Extension of Trust Fund; Codification of Trust Fund in IRS Code of 1954; Establishment of Mass Transit Account	Treasury, UMTA	HAD
		SUBTITLE E--MISCELLANEOUS PROVISIONS		
541		Tax Treatment of Public Utility Property	Treasury	
542		Income Tax Filing Exemption	Treasury	
543		Deduction for Conventions on Cruise Ships	Treasury	
544		Additional Weeks of Federal Supplemental Compensation	Treasury	
545		Home Energy Assistance Tax Exclusion	Treasury	
546		Modifications to Chlor-Alkali Electrolytic Cells	Treasury	
547		Interest Exemption	Treasury	

Section	Amended Law	Section Description	Outside FHWA	FHWA Internal Assignment
		SUBTITLE C--FLOOR STOCK PROVISIONS		
521		Floor Stocks Taxes	Treasury	HPL
522		Floor Stocks Refunds	Treasury	HPL
523		Definitions and Special Rule	Treasury	HPL
		SUBTITLE D--HIGHWAY TRUST FUND; MASS TRANSIT ACCOUNT		
531		4-Year Extension of Trust Fund; Codification of Trust Fund in IRS Code of 1954; Establishment of Mass Transit Account	Treasury, UMTA	HAD
		SUBTITLE E--MISCELLANEOUS PROVISIONS		
541		Tax Treatment of Public Utility Property	Treasury	
542		Income Tax Filing Exemption	Treasury	
543		Deduction for Conventions on Cruise Ships	Treasury	
544		Additional Weeks of Federal Supplemental Compensation	Treasury	
545		Home Energy Assistance Tax Exclusion	Treasury	
546		Modifications to Chlor-Alkali Electrolytic Cells	Treasury	
547		Interest Exemption	Treasury	

INTERSTATE TRANSFER GRANTS - HIGHWAYS

Senator Andrews: How many more Interstate withdrawals are anticipated by the September 30, 1983, deadline?

Response: It is difficult to determine precisely the Interstate segments which will be withdrawn before the September 30, 1983, deadline because withdrawals are requested by State and local officials and in many cases a final decision has not been made. We are aware of 8 Interstate segments where withdrawal requests are being actively considered. Other withdrawals may also be requested by the deadline as decisions are reached on projects.

Senator Andrews: Where are these withdrawals and what are they valued at?

Response: The following is a listing showing potential withdrawals and their value:

Potential Interstate Withdrawals 1/
(Dollars in Millions)

State	Route	Location	Cost 2/
Connecticut	I-284	Hartford	32.1
	I-484	Hartford	63.5
District of Columbia	I-66	Georgetown	14.0
	I-266	Georgetown	135.2
Georgia	I-420	Atlanta	133.4
Maryland	I-83	Baltimore	747.0
Massachusetts	I-90	Boston	339.3
Rhode Island	I-895	Western Rhode Island	130.2 3/
			$ 1,594.7

1/ The decision to withdraw any of these routes is a State and local decision and this list is not intended to indicate a Federal position.
2/ 1983 Interstate Cost Estimate, State and Federal costs unless otherwise noted.
3/ 1981 Interstate Cost Estimate, State and Federal costs.

Senator Andrews: Which ones are the result of the 1982 act allowing for withdrawal of any uncompleted or planned segment urban or rural?

Response: Section 107(e) of the Surface Transportation Act of 1982 removed the restriction that only segments which are within an urbanized area or passing through and connecting urbanized areas within a State could be withdrawn. The potential withdrawal, from the above listing, which is eligible as a result of this change in applicability of the withdrawal provisions is Interstate Route 895 in western Rhode Island.

Senator Andrews: In what year do you estimate the substitution projects will be completed?

Response: Assuming that the substitute project program levels for fiscal year 1986 would be available in subsequent years, substi-

tute highway and transit projects related to currently approved withdrawals would be completed with funds made available through fiscal year 1988. Completion of all substitute projects will be dependent on the extent of future withdrawals; with approximately 1 year in additional time to complete for each billion dollars in future withdrawals. While any projection of the completion depends on future withdrawals, a State and local decision, completion of all substitute projects could reasonably be expected in the early 1990's, if the current funding levels are maintained.

Senator Andrews: With the increased funding authorized by the 1982 Act: -- Will States be able to match these funds? -- Do States have projects ready to go to use these funds?

Response: Historically, States have been able to obligate all the funds made available for substitute projects. In the last 4 fiscal years, obligation levels have ranged from $700 million to $955 million. Over this same time period, most States have expressed the need for increased funding for ready to go substitute projects. We expect that nearly all States will be able to match the funding at an approximate $1.1 billion level (i.e., the combined highway and transit funding established for fiscal years 1983 through 1986) on substitute projects that will be ready to go when the funds are made available. There may also be some States that wish to proceed more rapidly by using the advance construction procedures established for highway projects by Sections 107(f) and 113 of the Surface Transportation Assistance Act of 1982.

DISTRIBUTION OF DISCRETIONARY HIGHWAY SUBSTITUTION FUNDS

Senator Andrews: What basis will the Secretary use to distribute the 25% discretionary highway substitution funds and the 50% discretionary mass transit funds as called for in the 1982 Act?

Response: The Federal Highway Administration cannot comment on the basis that the 50% discretionary mass transit funds will be distributed since that program is the responsibility of the Urban Mass Transportation Administration. As for the discretionary highway substitution funds, we have not finalized the exact procedures for the distribution of these funds at this time, however, we are developing a cost estimate in conjunction with UMTA, to utilize in distributing the 75% formula funds for 1984. A method of allocating the remaining 25% discretionary funds will not be addressed until work on the cost estimate is finalized.

BRIDGE PROGRAM FUNDING

Senator Andrews: According to the FHWA's latest estimate, it would cost nearly $48 billion to replace or rehabilitate the almost 250,000 deficient bridges. Are the recent increases in program funding sufficient to address the bridge problem? If they are not, which bridges should be the top priority for the funds? How are you directing the funding to these bridges?

Response: Assuming that bridges will continue to deteriorate at the same rate and that Federal funding will continue at current levels,

all structurally inadequate bridges on the Federal-aid system can be improved by about 1990.

The improvement rate for structurally inadequate off-system bridges will in large measure depend upon the amount of resources that State and local governments devote to them. Federal funds will improve the most critical of these bridges, but not all of them.

A large portion of functionally obsolete bridges can most cost-effectively be managed by selective traffic control measures rather than reconstruction.

The future Federal Bridge Program should concentrate on those highway systems which have the most national importance -- the Interstate and Primary systems. The very nature of the Interstate and Primary systems require that a substantial sum of the available funds be spent on them.

The States are responsible for selecting projects for funding. However, the States have targeted Primary system bridges for a large share of apportioned and discretionary Highway Bridge Replacement and Rehabilitation funds and this trend is expected to continue.

STATE AND LOCAL BRIDGE PROGRAM

Senator Andrews: What amount of funding are State and local governments spending on deficient bridge replacement/rehabilitation? How many bridges have been replaced solely with State and local funds?

Response: The best estimate which can be made from available information is that between $1 billion and $2 billion per year is spent by State and local governments to replace or rehabilitate deficient bridges.

We do not have records on the number of bridges that have been replaced solely with State and local funds.

SELECTION OF BRIDGE DESIGNS

Senator Andrews: Last year's Senate report called for the Department to encourage the selection of bridge designs based on life cycle cost as well as initial cost. Furthermore the report directed that greater consideration be given to concrete segmentally designed bridges. What action has the Department taken in response?

Response: The FHWA is a strong advocate of alternate designs for bridges. A Technical Advisory was issued December 4, 1979, to acquaint engineers and administrators with bidding alternate bridge designs and to emphasize the need for alternate designs which provide competition and resultant economy. An April 22, 1981, memorandum to Regional Federal Highway Administrators further strengthened our efforts in promoting the use of alternate bridge designs among all State and local governments including all those that have adopted certification acceptance. Further memorandums were issued, including guidelines, on September 23, 1981, and June 16, 1982, to assure that the spirit and intent of alternate bridge designs was being followed.

A Notice of proposed policy statement titled "Alternate Design for

Bridges; Policy Statement" was published in the October 18, 1982, Federal Register with a docket open for public comments until December 2, 1982. Comments received are under review for inclusion in the final notice.

The FHWA intends to continue encouraging greater consideration of alternate bridge designs when Federal funds are involved.

The proposed policy statement on alternate designs states that to the extent possible, future maintenance demands should be evaluated to ensure that the structure will be designed to provide for an extensive service life. The use of life cycle costing will be encouraged in the selection of the appropriate bridge design when life cycle costing data can be realistically obtained and evaluated.

Segmental bridges are being encouraged on a continuing basis in conjunction with alternate designs as appropriate, based upon site constraints and preliminary cost estimates. It is currently estimated, as of December 31, 1982, that there are 30 segmental bridges completed, 22 under construction, 45 in design, and 30 under study, for a total of 127, in the United States.

DISCRETIONARY BRIDGE PROGRAM
BRIDGES RECOMMENDED BY THE SENATE REPORT
FOR PRIORITY CONSIDERATION

Senator Andrews: What FY 1983 funds will be applied to those bridges in cities and counties mentioned in the Senate report?

Response: Of the $200 million in discretionary bridge funds made available in fiscal year 1983 all but about $25 million was required to continue bridges previously started. Of the 16 bridges specifically mentioned in SR 97-567 Department of Transportation Related Agencies Appropriation Bill, 1983, discretionary bridge funds or special funding has been provided for seven of them. To date we have not been able, because of keen competition for funding, to provide discretionary bridge funds for the:

1. Alsea Bay Bridge in Waldport, Oregon
2. Charleroi-Monessen Bridge in the Monongahela Valley, Pennsylvania, (bridge has not been submitted for discretionary bridge funds).
3. U.S. 40 Bridge between St. Charles and St. Louis Counties in Missouri.
4. Sidney C. Lewis Bridge in Dover, Tennessee.
5. Green Bridge in Manatee County, Florida.
6. Apalachicola Bay Bridge in Franklin County, Florida.
7. Hood Canal Bridge in Washington State.
8. Clairton-Glasport Bridge in Pennsylvania.
9. Williamsburg Bridge in New York City.

Funds have been provided for the:

10. Fort Bayou Bridge in Jackson County, Mississippi.
11. Monongahela River Bridge in the Monongahela Valley, Pennsylvania.
12. Rochester-Monaca Bridge in Pennsylvania
13. Minsi Trail Bridge in Pennsylvania
14. Weirton-Steubenville Bridge in West Virginia

15. Dodge Island Bridge in Miami, Florida*
16. East Huntington Bridge in West Virginia **

* Special funding was provided for the Dodge Island Bridge by Section 131(h) of the 1982 STAA.
** The East Huntington Bridge is being funded by Section 147 of the 1978 STAA and Amendments.

MARTIN LUTHER KING BRIDGE

Senator Andrews: What has the Department determined with regard to the Martin Luther King Bridge in St. Louis, Missouri?

Response: Preliminary discussions have been begun between the City of East St. Louis and the State concerning the requirements specified in Section 134 of the 1982 STAA to make the bridge eligible for bridge replacement and rehabilitation funds.

BRIDGE PROJECT ACCIDENTS

Senator Andrews: Recently. there have been some major accidents on Large Federal-aid bridge projects, specifically the Cline Avenue ramp (bridge) in East Chicago, Indiana and the Zilwaukee Bridge near Saginaw, Michigan. Is this a trend? We know the respective States investigate these accidents but what is FHWA doing to investigate the accidents and to prevent them in the future?

Response:

1. Failure of the Riley road Interchange Ramp, East Chicago, Indiana.

A team of engineers from the National Bureau of Standards (NBS) and the Federal Highway Administration (FHWA) carried out an extensive field investigation, in cooperation with personnel from the Indiana Occupational Safety and Health Administration, to ascertain the condition prior to and after the accident. In addition, physical tests were conducted on key components of the temporary support system used during construction. A structural analysis was also performed to compute the magnitude of the forces acting in various components of the support system.

A report of the findings of the above test and conclusions drawn was published and disseminated to all FHWA Regional offices for distribution and appropriate corrective action in monitoring Federal-aid highway bridge projects.

2. Zilwaukee Bridge, Saginaw, Michigan

FHWA has participated in several meetings with the State regarding the accident on this structure and has reviewed and commented on the reports investigating the cause. We are currently involved in the review of proposed retrofit measures.

We see both of these accidents as isolated incidents, not a trend.

WEIGHT RESTRICTED OR CLOSED BRIDGES

Senator Andrews: How many bridges now have weight restrictions or have been closed to traffic during the last year?

Response: National Bridge Inventory (NBI) data as of December 31, 1982, shows that there are 125,000 bridges not on the Federal-aid system and 28,000 bridges on the Federal-aid system which are or should be weight restricted. The National Bridge Inventory also shows that there are 3,081 bridges not on the Federal-aid system and 476 bridges on the Federal-aid system closed to all traffic.

HIGHWAY DEPARTMENTS

Senator Andrews: Highway legislation (23 U.S.C. 302) requires that any State wishing to obtain Federal highway assistance must have a State highway department which has adequate powers and is suitably equipped to carry out the required duties. However, because of the increasing costs and declining State revenues, a number of States have been cutting back on staffing, either by staff reductions or by hiring freezes. Do you have any information on the extent to which the States are incurring these cutbacks? Specifically, what types of personnel (management, engineers, maintenance, etc.) are being cut back?

Response: We have no specific information on the extent of State cutbacks in personnel. It is our general impression that for the most part, where reductions have occurred they have been across the board in all categories of personnel.

Senator Andrews: Have State staffing reductions impacted on the State's ability to carry out the functions required of it?

Response: Obviously, the reduction in staffing of any organization can have an impact on its ability to perform. The question here is whether such reductions have resulted in any State's inability to adequately carry out its functions and responsibilities especially as regards the Federal-aid highway program. In the past several years, we have noted some decline in the quality of the design and construction of some projects under the Federal-aid highway program. Additionally, we have some concerns regarding some shifts in the experience levels of State personnel and a trend indicating an increased number of projects with potential quality control problems. Nevertheless, at the present, we are satisfied that the States have adequate capability to administer the Federal-aid highway program in an acceptable manner and the quality of work is generally satisfactorily. However, we intend to closely monitor this situation to insure that the Federal-aid highway program is properly administered. As part of this effort, we intend to insure that our field offices are adequately staffed and trained to properly handle our monitoring activities. As a first step in this process, we have commenced a comprehensive review of our field offices to determine what changes may be needed in staffing and operations. We will be able to report to you in more detail on this matter after the review is completed later this year.

Senator Andrews: How do you define an adequate highway department?

Response: The principle requirements for an adequate highway

department have remained unchanged since defined in the 1921 Federal-aid Highway Act. To meet the test of Federal law, each highway department must have adequate powers, and be suitably equipped and organized to accomplish its duties required by Federal law. The adequate power provision means that the State highway agency must have the primary authority and responsibility under State law to fully and faithfully administer the Federal-aid highway program in the State. The term "suitably equipped" pertains to the highway department personnel staffing and equipment necessary to accomplish its mission. Each highway department must have sufficient adequately trained personnel, the necessary expertise, and the proper tools to effectively perform its tasks. Each highway department must be organized in such a manner that is conducive to efficient and effective management and oversight of the Federal-aid highway program in its state. Therefore, an adequate highway department is a State agency which has the authority, staffing, equipment and organization to adequately, effectively, and efficiently design, construct and maintain projects funded with Federal-aid highway funds in conformance with all applicable laws and regulations and agreements thereunder.

Senator Andrews: Are the States adequately staffed to effectively administer the additional Federal aid which will be made available under the Surface Transportation Assistance Act of 1982?

Response: Historically, the States have adjusted to fluctuating conditions which from time to time have materially affected the highway program in each State. We would expect the recent increase in Federal-aid highway funding to be accommodated by the States by staffing modifications, as appropriate and necessary to effectively and properly administer these funds. It is quite possible that some States may well have to increase their staffing to more adequate levels or increase the utilization of consultant forces. At the present time, we have no reason to believe that the States will have any particular problem in adjusting to the new demands of the Federal-aid highway program.

REMOVING UNSAFE TRUCKERS FROM THE ROAD

Senator Andrews: How do you and the ICC get these unsafe truckers off the road?

Response: In addition to random DOT inspection and impoundment of unsafe vehicles, Public Law 89-670 specifies that the Secretary of Transportation shall report to the ICC on the safety compliance of motor carrier applicants for operating authority. Safety information and ratings for motor carriers have been transmitted from the DOT to the ICC since 1967. The ICC's only safety function is to consider safety fitness when deciding applications for operating authority.

The procedures used by the DOT in arriving at an overall safety rating for a motor carrier were formalized and promulgated as part of the Code of Federal Regulations in Part 385 of Title 49 in July of 1982.

There are no instances in recent history where a carrier rated unsatisfactory for safety compliance by the DOT having been granted authority by the ICC.

In addition to transmitting safety ratings for carriers seeking new or additional operating authority, the DOT can petition the ICC to revoke some or all of any motor carrier's existing operating authority if that carrier is not in satisfactory compliance with the DOT's Motor Carrier Safety or Hazardous Materials Regulations.

MOTOR CARRIER INSURANCE

Senator Andrews: I understand there is a significant problem with many truckers who are not properly licensed or insured. Please explain how the responsibilities for dealing with this problem divide between DOT and the ICC.

Response: We are not aware of a significant problem with many truckers who are not properly licensed or insured. The FHWA's Bureau of Motor Carrier Safety (BMCS) reviewed 1,672 safety management audits conducted by its field staff during the period July 1 - December 31, 1982. The findings of that review are as follows:

11 motor carriers (.66 percent) were found to have no insurance
17 motor carriers (1.02 percent) had insufficient amounts of insurance
537 motor carriers (32.1 percent) did not have the required endorsement (in all instances, the motor carriers immediately took appropriate action to acquire the endorsement)
76 motor carriers (4.55 percent) had endorsements that were incomplete
1 motor carrier had purchased insurance from an underwriter that was not authorized to write insurance in the motor carrier's State of domicile.
1,030 motor carriers (61.6 percent) were in compliance with the financial responsibility requirements.

The DOT's authority extends to all motor carriers of property engaging in interstate or foreign commerce. There are specific exemptions to this general rule. The DOT's authority also extends to the intrastate carriage of "in bulk" quantities of hazardous materials, substances, and wastes. At this time there are 198,000 motor carriers of record subject to the financial responsibility requirements of 49 CFR 387.

The ICC is required by law to make certain that motor carriers subject to its economic regulation have the required levels of financial responsibility before issuing an operating certificate or permit. To this end, the ICC requires that a certification be filed by insurance companies on behalf of their motor carrier clients attesting to the fact that sufficient levels of insurance are in effect and that the required endorsement has been attached to the policy(s) of insurance. At this time the ICC has in its files approximately 30,000± motor carriers of record. Those 30,000± motor carriers subject to the ICC's economic regulation are included in the 198,000 carriers of record that are subject to the DOT's financial responsibility requirements. To the extent both agenices enforce similar financial responsibility requirements (dollar figures are exactly the same), the regulatory requirements of both agencies can be satisfied with a single policy of coverage. The ICC does require evidence of cargo insurance, which DOT does not.

MOTOR CARRIER SAFETY STAFF LEVELS

Senator Andrews: Can your inspector staff levels adequately address the unsafe trucker problem?

Response: Presently there are over 188,000 trucking entities employing about 4 1/2 million drivers. Shippers of hazardous materials number over 17,000. The FHWA employs 99 general Safety Investigators, who concentrate their efforts on the inspection of carrier facilities. Spot checking the effectiveness of these carriers is done by roadside inspections, at which random inspections of driver/vehicle safety are performed. Program emphasis is on hazardous materials, as they pose a greater risk.

The Federal effort has been hampered by insufficient resources to administer and enforce an effective national Motor Carrier Safety Program. Additionally, lack of Federal authority over drivers and vehicles used in intrastate commerce has served as a detriment to implementation of a comprehensive inspection and enforcement program. The only solution is a Federal/State partnership in addressing our mutual concern.

The Surface Transportation Assistance Act of 1982 will provide funding to foster commercial vehicle safety through a standardized motor carrier safety program consisting of roadside inspections of drivers/vehicles and auditing of motor carrier safety activities. States will be required to have authority over all highway transportation. States will participate as partners with the Federal Government to achieve a reduction of public risks associated with the operation of commercial vehicles on the Nation's highways.

COSTS FOR LOCAL BRIDGES

Senator Andrews: Some local officials have complained that when they use Federal funds and follow Federal requirements to replace one of their bridges, the cost is substantially greater than when they use their own funds. Have you investigated their concerns, and how do you account for the large difference? Should off-system bridges be built to Federal or local standards if the roads are built to local standards? What is FHWA doing to monitor the program for cost-effectiveness?

Response: Some local officials have replaced bridges with their own funds for total costs which are substantially less than they would be if Federal requirements were followed. However, to reduce costs local officials usually must make compromises on bridge width, bridge rail, load capacity or the durability of bridge elements. As a result, such bridges are often less safe from a geometric viewpoint or cannot accommodate maximum legal loads or have a reduced life expectancy.

The prevailing geometric standards required for Federal projects are those established by the American Association of State Highway and Transportation Officials. They represent the collective best judgement of the Nation's transportation professionals as to what is needed to safely serve the public over the life expectancy of bridge projects. They are generally consistent with the roadway adjacent to bridges.

There are some cases where design exceptions are appropriate. Provision for this has been made in the regulations for design standards on Federal-aid highway projects and FHWA local offices have approved exceptions where they are both cost-effective and safe.

DISCRETIONARY BRIDGE RATING FACTOR STATUS

Senator Andrews: The 1982 Highway Act required that you establish a selection process for the Secretary's discretionary projects based on criteria set forth in the act. What is the status of the process and what will be the impact? How does the criteria differ from what the States are using for selection bridges with apportioned funds?

Response: The discretionary bridge rating factor procedure will be published in the Federal Register in April 1983 as a notice of proposed rule making. As required by Section 161 of the 1982 Surface Transportation Assistance Act, it will include consideration of the following factors for each candidate bridge:

1. Sufficiency Rating
2. Current Average Daily Traffic
3. Current Average Daily Truck Traffic
4. Defense Highway System Status
5. The State's unobligated balance of funds received under Section 144 of Title 23, United States Code, and the total funds received under this same section.
6. The Total Project Cost
7. Special consideration for closed bridges, those restricted to loads of less than 10 tons and the need to administer the program from a balanced national perspective.

After a suitable comment period and consideration of comments received, the final criteria will be published in the Federal Register in mid-summer 1983, before next Fall's allocation of fiscal 1984 discretionary bridge funds.

The criteria will probably differ only slightly from what individual States are using in selecting and prioritizing bridge projects with apportioned funds. The difference will be principally from the viewpoint that the discretionary bridge selection process must consider national needs as well as individual State needs.

EFFECT OF CHANGING MATCHING RATIO FOR BRIDGE PROGRAM

Senator Andrews: Some States have expressed concern that they do not have the sources to provide the required 20 percent match for the increased program funding. What are your views on this concern? What would be the impact of decreasing the required State match from 20 percent to 10 percent as some have proposed?

Response: If the required State and local matching fund ratio for the Highway Bridge Replacement and Rehabilitation Program were reduced from 20 to 10 percent, the result would be that about 11 percent fewer bridges would be improved with the available Federal funds. While some State and local governments are having temporary problems matching the available bridge program funds, Section 145 of the new 1982 Surface Transportation Assistance Act, Temporary Matching Fund Waiver, provides a good means for advancing projects when matching money is not currently available.

HAZARDOUS MATERIALS

Senator Andrews: What is the agency doing to promote higher standards for drivers of bulk hazardous materials?

Response: The FHWA is involved in several areas of research and/or program development which may assist in the promotion of higher standards for drivers of bulk hazardous materials, as well as drivers of other commercial vehicles.

The FHWA is participating in a program sponsored by the Motor Vehicle Manufacturers Association, which is developing two training films to instruct drivers in steering and braking maneuvers. These films will assist the driver by making available to drivers useful insights from the current state of knowledge on truck dynamics, thus clarifying the strategies for safe maneuvering of heavy trucks.

A modification to an existing contract, studying the integrity of MC 307/312 cargo tanks, is also being proposed. This task modification would study hose failures as related to loading and unloading of hazardous materials from cargo tanks. Findings from this task may lead not only to standards for manufacture, use, maintenance, and recertification of product delivery hoses, but also to requirements for training of drivers in the proper use and upkeep of these hoses.

Another proposed research study, which is in the procurement process, is a study of liquid shifting and the stability of cargo tank trucks. The objective of this study is to determine effective means of mitigating the effects of partially loaded vehicles on the safety of cargo tank truck operations. Results of this study should enable vehicle operators to better understand the dynamic forces placed on vehicles due to the shifting of liquid cargoes, thus potentially leading to driver training in an effort to minimize the unnecessary causes of such forces.

Another program of the FHWA is a contract entitled "Preparation of Tractor-Trailer Driver Training Standards and Model Curriculum." Although not specifically aimed at drivers of hazardous cargo, any curriculum which enhances driver training and qualifications will enhance the safe movement of hazardous materials.

TRUCK DRIVER QUALIFICATIONS

Senator Andrews: What is the FHWA doing to upgrade requirements for truck driver qualifications, especially (but not exclusively) drivers of hazardous materials trucks?

Response: The FHWA's Bureau of Motor Carrier Safety (BMCS) currently has three areas of effort ongoing, under their research and development program, which address this issue. The three areas of effort involve: (1) development of handbooks for drivers; (2) development of training standards and curriculum; and (3) research involving physical requirements of drivers.

A recent contract entitled "Educational Handbooks for the Trucking Industry" involved the development of educational materials to provide self-training and guidance material for the safety aspects of commercial motor vehicle operations. This effort produced handbooks

(in draft form) on: (1) pre-trip inspection of straight trucks and combination vehicles; (2) cargo tank vehicle inspection; (3) interstate bus inspection; (4) cargo tie-down safety procedures; and (5) vehicle preventive maintenance. These handbooks are now being prepared for printing, after which, they will be disseminated throughout the trucking industry.

Through another research effort, "Preparation of Tractor-Trailer Driver Training Standards and Model Curriculum," training procedures for drivers of heavy duty vehicles will be upgraded and thus, improve highway safety. The model curriculum specifies curriculum content and duration; the requirements for types of training materials; the types of vehicles and facilities to be used; and the qualification of instructors. This training standard curriculum is being coordinated with the driver licensing exam standard being developed by the National Highway Traffic Safety Administration. This combined action on both training and licensing is expected to improve entry level driver skills and knowledge in the future. During 1983, we have been reviewing and revising these manuals and the standard in coordination with our Training Industry Advisory Panel. The FY 1984 effort will consist of the design of a pilot validation program which will follow in FY 1985 and 1986.

In FY 1983 the BMCS will contract for research studies in two areas of the driver physical qualifications. In the first, the objective is to measure and evaluate the visual tasks performance of a group of binocular commercial drivers and a group of monocular commercial drivers, to provide a basis for a regulatory review of whether monocular commercial drivers are a safety risk on the highway. The second study has the objectives of finding out if underreporting of reportable medical conditions are taking place among the commercial driver population. If underreporting is taking place, the study will determine whether those drivers who are underreporting have increased accidents and traffic citation histories. In addition to the research studies, rulemaking action is presently taking place to strengthen the drug abuse rules for commercial drivers.

COORDINATION WITH DEPARTMENT OF DEFENSE NEEDS IN TRANSPORTATION EQUIPMENT OVER THE HIGHWAY SYSTEM

Senator Andrews: What consideration is given to the Department of Defense's (DOD) need to move its heavy equipment over bridges and highways as the Federal Highway Administration (FHWA) plans the refurbishment of the Nation's road and bridge system?

Response: Through the Defense Bridges and Critical Highway Facilities Program, the States select routes on and off the Federal-aid system (with DOD needs in mind) which comprise a defense highway network. Also the Defense Access Roads Program is utilized for constructing/reconstructing off-system facilities near and into military installations. The FHWA coordinates both these programs with DOD.

Our Bridge Division also plays an important role on a case-by-case basis in coordinating DOD requirements in this particular area. For example, their representatives recently worked with the Department of the Air Force in developing a briefing for the President's Commission on Strategic Forces. They specifically provided bridge

data for both Federal-aid and off-system bridges and related capacity requirements for hauling over-sized equipment for rocket motor systems (letter of commendation received).

CONVICT LABOR PROVISIONS

Senator Andrews: The Surface Transportation Assistance Act (Section 148) included a provision prohibiting the use of materials produced by convict labor in the highway program. Many prisons produce signs for highways. Why was this provision deemed prudent? Is there any effort underway to establish other markets for these prison-labor produced products?

Response: Section 148 was added by the House bill (appearing as Section 153 of H.R. 7360); it was not a part of the Administration bill, nor was there any comparable Senate provision. The reports add little background as to the reasons for the provision. We can only surmise that it was intended to benefit materials producers who were being placed at a competitive disadvantage as a result of such materials being produced by prison industries. It is important to recognize that the statute prohibits the use of materials produced by convict labor only on Federal-aid construction projects; use of these materials on non-federally-aided projects, as well as in non-construction (e.g. maintenance) activities, is not precluded. The creation of new markets for such products would be a matter for individual State prison industries to address.

TREAD RUBBER

Senator Andrews: The Surface Transportation Assistance Act of 1982 eliminated the 5¢ per pound fee for tread rubber. Might this decision lead to more use of retread tires, leading to a safety problem on the highways?

Response: Presently there are no studies or surveys which show that retreaded tires present a hazard to safety when used on commercial property motor vehicles. It is claimed that a retread tire is as safe as a new tire since casing failures most often show up in the first 2,000 miles of use and the retreaded tire casing has been closely inspected for signs of failure before retreading.

Over-the-road commercial vehicles, as an industry practice, are equipped with new tires on the front wheels. As the tire tread wears down the tires are retreaded and moved to the drive axles of the truck tractor or placed on the trailer. However, there are times when retreaded tires represent an economical and safe choice for a carrier to use them on the front wheels. As an example, refuse haulers and loggers operate on marginal roads or off roads the majority of the time and retread tires offer an excellent alternative to the use of new tires.

We plan to monitor retread tire use to see if they begin appearing on truck front axles, and the indutry's experience with them, to determine whether to allow such a practice or propose a front axle recap ban.

PROPOSED CHANGES IN THE BRIDGE PROGRAM

Senator Andrews: The FHWA, the Department of Transportation, and OMB are considering proposals to combine Federal funding for

off-system bridges with funding for secondary and urban roads and bridges and certain safety grants into a block grant to the States. A portion of the revenues generated by the recent gasoline tax increase would be provided to the States for this purpose. Will the funding for the new block grant be comparable to the funding levels for the existing programs?

Response: For the 5 years from 1984 through 1988, annual funding for the Transportation Block Grant will be set at the sum of the 1984-enacted levels for the consolidated programs. This amounts to an authorization of $2.36 billion.

Senator Andrews: What assurances do you have that an appropriate portion of the block grant funds will be used for bridges?

Response: The purpose of New Federalism is to permit State and local governments to assume responsibility for the programs appropriate to their levels, enabling them to respond to their own priorities. We are confident that State highway agencies will establish and carry out construction programs responsive to their own needs and financial conditions.

Senator Andrews: If both State and local governments are responsible for the roads and bridges, how will you ensure that local governments receive their fair share of the block grant funds?

Response: The block grants, although administered by the States, require each State to consult with local units of government concerning State use of funds. Under the Transportation Block Grant, large urbanized areas (population 200,000 or larger) will receive funds in accordance with established formulas. These "pass-throughs" will be proportional to the amounts they would have received under current programs.

Senator Andrews: How will FHWA's role change if the block grant proposal is implemented?

Response: During the period of the legislation, States would have the choice of continuing to receive the funds for these programs under the existing statutory mechanisms or receiving them in the form of a block grant. The Federal Government's role in highway programs that benefit the Federal interest--primary and Interstate roads and bridges, and high-cost bridges--would remain unchanged.

Senator Andrews: Will State and local governments continue to have to follow the American Association State Highway and Transportation Officials (AASHTO) standards? If not, what would be the impact?

Response: Two of the basic principles inherent in New Federalism and the block grant proposals are (1) delegation of maximum discretion and flexibility to block grant recipients, and (2) minimum Federal intrusion in block grant recipient affairs. Therefore, the States will be free to use any standards they wish for their road and bridge programs. However, most States follow the AASHTO standards or a resonably comparable standard now in all thier construction projects, even for State-only investments. These

standards represent the collective best judgment of transportation professionals concerning the vital characteristics of projects which will safely serve the public. We are confident that the State highway departments will be responsive to their citizens' best interests, considering the life expectancy and intended use of the facilities being designed, with or without Federal oversight.

Senator Andrews: Is FHWA the Administration committed to continuing to provide assistance for roads and bridges other than the Interstate and primary systems. Why or why not?

Response: The Federal-aid highway program contained in Title 23 of the United States Code has traditionally been a mechanism to distribute highway-user charges collected at the Federal level to aid the States in the construction of highways. The purpose of this legislation is to create a block grant for the highway programs which receive Federal funding but predominantly benefit the residents of the separate States. It is the culmination of a year-long effort to sort out, in consultation with State and local officials, responsibilities within the intergovernmental system. During the 5-year period, the Administration will determine whether it is feasible to return revenue sources to State and local governments commensurate with funding for the programs in the block grants. The President will establish a presidential commission to make recommendations on the revenue return issue.

STATUS OF BRIDGE INSPECTION STANDARDS

Senator Andrews: Last year you told us that the National Bridge Inspection Standards (NBIS) would be a topic at the American Association of State Highway and Transportation Officials bridge subcommittee meetings last Spring. What changes were made, or are being considered for the NBIS as a result of these meetings? What is the status of final proposals for changing NBIS?

Response: A proposed change in the National Bridge Inspection Standard to allow States some additional flexibility in inspection frequency was published in the Federal Register on January 20, 1983 as a notice of proposed rule making. Comments have been received from a wide spectrum of interested individuals, States, local governmental officials, public interest groups and others. The comments are being evaluated and the final regulations will be published in the Federal Register early this Summer.

NATIONAL ACCIDENT SAMPLING SYSTEM (NASS)

Senator Andrews: In your justification, you state that NASS is operating at about the 12,000 yearly accident level. When development of NASS began, it was anticipated that the system would contain data for about 18,000 accidents yearly. Why is the system not operating at full capacity?

Response: The 18,000 estimated annual accidents to be collected in the NASS continuous sampling system was based on the full implementation of the sampling design of 75 sites. The National Highway Traffic Safety Administration (NHTSA) operates this system and has followed a phased implementation strategy since 1979. In 1979 and 1980 only 10 sites were in operation. Thirty sites were operational by the second half of 1981 and by the second half of

1982, fifty sites were operational. The number of cases collected has gone from 3,367 in 1979 to 9,300 in 1982. The projection for 1983 is 12,000 cases. Limited resources may prohibit expansion beyond the 50 sites. To adjust for this, the NHTSA is re-examining the initial sampling design for 75 sites. The decision to stay with the present design or to modify the design has not been made.

Senator Andrews: What are some of the special studies you have used NASS data for and what were the results?

Response: The NASS teams collect some data on a continuous basis and they may also collect in-depth data in addition to the continuous data for special topics. In 1982, 40 of the NASS teams began collecting special study data for the Federal Highway Administration (FHWA). The FHWA special studies are for accidents involving luminaires, sign supports, longitudinal barriers and crash cushions. These studies are in the data collection phase. No analysis has been initiated at this time.

INTERSTATE: COST OF COMPLETION

Senator Andrews: How much will it cost to complete the Interstate System, given the new authorization levels, and reduced highway construction costs?

Response: The 1983 Interstate Cost Estimate Report to Congress shows $36.3 billion as the cost to complete (in 1981 dollars) the Interstate System after January 1, 1982. Given the new authorization levels, and with no further increases in highway construction, we expect to complete the System with funds made available in the early 1990's at an estimated total cost of $123.3 billion (State and Federal costs).

WESTWAY

Senator Andrews: Please provide a report on the current status of the Westway project.

Response: In April 1982, the U.S. District Court invalidated the Section 404 permit issued by the Army Corps of Engineers for the Westway project and ordered a supplemental environmental impact statement be prepared. The draft supplemental impact statement is expected to be complete in May 1983. Governor Mario Cuomo is presently looking into the pros and cons of withdrawing or building Westway.

Senator Andrews: What did FHWA and NYSDOT do in response to the value engineering recommendations for $105 million savings on two Westway projects?

Response: Two Westway segments, the 2.6-mile tunnel section and the Holland Tunnel Interchange, were included in a value engineering workshop in Albany, New York, August 24-28, 1981. This workshop was one of the National Highway Institute's training series that has been presented nearly 100 times nationwide.

The two project segments totalled approximately $695 million in estimated construction costs. Because of their size, they were not typical of the type of highway normally used as a workshop

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exercise in conjunction with the workshop. The time constraints imposed on the participants did not lead to a high degree of precision in the estimates of savings, etc. The value engineering participants are taughts to deal in "order of magnitude" estimates which lead them to recommendations and conclusions that are worth further detailed study.

The $105 million in potential savings is detailed below with descriptions of the change, potential value, and implementation status.

A. The 2.6-mile tunnel section:

1. Use rock anchors to counteract buoyancy.
   Estimated savings: $44 million.
   Status: Detailed evaluation is continuing and no final decision has been reached. A portion of this recommendation has been accepted (reduction of slab thickness).

2. Reduce tunnel width.
   Estimated savings: $28 million.
   Status: Evaluation continuing. Not likely to be implemented in toto because it involves approval of 11-foot lanes on the Interstate System. A more refined alternative has been developed with a potential savings of $19 million.

3. Reduce tunnel overhead clearance.
   Estimated savings: $14 million.
   Status: Recommendation based on being able to sign the highway with maximum 2-foot depth signs. This is not feasible. An alternative which provides variable height tunnel walls to accommodate the signing may be considered.

B. Holland Tunnel Interchange

1. Reduce counterbuoyancy slab thickness.
   Estimated savings: $17.8 million..
   Status: Adopted.

2. Reduce ramp widths to AASHTO minimum standards.
   Estimated savings: $1.2 million.
   Status: May be implemented on a ramp-by-ramp basis considering the tradeoffs and costs of construction at each site.

Senator Andrews: Did NYSDOT hire a VE consultant for Westway?

Response: The State Department of Transportation attempted to contract for VE services with one consultant. This contract was prevented by Judge Griese's order which effectively prevented design completion. The NYSDOT also intends to have Parson, Brinkerhoff, Quade, and Douglas, the project management consultant, perform some of the VE coordination required. The NYSDOT fully intends to perform value engineering on the design of this project.

An ad hoc VE committee has been established with representation of FHWA, NYDOT, and the consultants. This team has identified

several potential areas for cost reduction some which have already been reflected in the 1983 Interstate Cost Estimate. Additional opportunities for further investigation which have been identified by the ad hoc team are:

1. Obtain variance from New York City noise code.
2. Reduce armor stone on river side.
3. Reduce number of wick drains.
4. Reduce park costs.
5. Eliminate high occupancy vehicle access ramps.
6. Modify/simply interchanges at Holland and Lincoln Tunnels.
7. Reducion of shoulder widths.
8. Alternative temporary sewer supports.
9. Ramps on grade in lieu of pile-supported.
10. Eliminate spare sewer.
11. Reduce dredging depth.
12. Paint tunnel interior in lieu of porcelain tile.
13. Use conventional built-up steel girders in lieu of box beams.
14. Amtrak platform width modification.

These recommendations total about $300 million in additional cost avoidance potential. Thus far, the State and FHWA have identified about $400 million potential savings in the workshop and follow on activities. The project personnel who supplied the above information believe that there is good probability to acturally incorporate about half of these items in the final design after additional study is completed.

TRANSFER OF INTERSTATE CONSTRUCTION FUNDS UPON WITHDRAWAL

Senator Andrews: The Department of Transportation has supported increasing funding for repair and reconstruction of the existing Interstate System. Some jurisdictions, despite recent increases under the formula, receive far less funding than would permit them to undertake necessary repairs of existing Interstate routes. Language in the STAA of 1982 permitted the transfer of funds from new Interstate construction on routes open to traffic to the 4R program to augment the reconstruction program where appropriate. Could you support legislative language that would permit the transfer of funds from new Interstate construction to the 4R program from an incompleted portion of the System upon withdrawal of that portion?

Response: At this time, in view of the increased level of I-4R funds and additional flexibility for use of I/I-4R funding provided by the 1982 STAA, and especially in consideration of our national goal to complete the initial construction of the Interstate System, we would not wish to see further diversion of initial Interstate construction funds.

RURAL TRANSPORTATION

Senator Andrews: You are not requesting additional funds for the Rural Transportation Assistance Program (RTAP). What ongoing activities will absorb the rural transportation program?

Response: The Federal Highway Administration did not request additional funds in fiscal year 1984 for the RTAP because the total of $10 million designated in 1982 and 1983, along with other DOT resources, are adequate to meet our objectives.

Senator Andrews: The Senate report requested a study on rural transportation. What are the Department's major conclusions regarding this program?

Response: In the DOT and Related Agencies Appropriation Bill, 1983, the Senate requested a report on the Rural Technical Assistance Program (RTAP), the implementation schedule for RTAP projects, and how RTAP will address the special needs of rural transportation. The Federal Highway Administration provided that report to the Senate Appropriations Subcommittee on Transportation and Related Agencies on March 21. The report is essentially a status report on RTAP. All the projects funded with fiscal year 1982 RTAP funds will be implemented in fiscal year 1983. All projects approved using fiscal year 1983 RTAP funds will be implemented in fiscal years 1983 and 1984.

Since RTAP is a new program, the Federal Highway Administration and the Department of Transportation have not reached any major conclusions regarding the program, other than there is sufficient funding at this time to meet our objectives.

STANDARD LEVEL USER CHARGE (SLUC)

Senator Andrews: Please provide for the record a breakdown of SLUC for Federal Highway Administration for the period Fiscal Year 1981 through Fiscal Year 1984. Include an estimate for yearly costs per employee and per square foot of office space.

Response: The following reflects Federal Highway Administration's SLUC for Fiscal Year 1981 through Fiscal Year 1984. Also included is the costs per employee and per square foot of office space. It should be mentioned that the Federal Highway Administration is currently working with the General Services Administration, reviewing its space holdings, and will be attempting to reduce its office space through Fiscal Year 1984, commensurate with the staffing decreases which have taken place over the last few years.

RENTAL PAYMENTS TO GENERAL SERVICES ADMINISTRATION

	Fiscal Year 81 Actual	Fiscal Year 82 Actual	Fiscal Year 83 Estimate	Fiscal Year 84 Estimate
SLUC Payments ($000)	7,474	9,774	10,947	11,612
Space Occupied (Square Feet in Millions)				
Office	.778	.805	.807	.772
Other	.291	.303	.306	.300
Total	1.069	1.108	1.113	1.072
Cost Per Square Foot Office Space	8.47	10.73	11.88	12.90
Total Full Time Equivalent Employment	3,955	3,594	3,442	3,440
Amount of Office Space Per Person	197	224	234	224

FEDERAL LANDS HIGHWAYS PROGRAM

Senator Andrews: The Surface Transportation Assistance Act established a new Federal Lands Highways Program under the Highway Trust Fund merging Indian roads, park service roads, and forest roads. Please provide a comparison of funds for each of these activities for FY 1981-1984, an explanation of how you are assuming responsibility for these programs from other agencies, and how FHWA will administer the programs to ensure that no disruptions occur?

Response: The following is a comparison of the FY 1981-84 Trust Funding for each of the Federal Lands Highways Program categories:

PROGRAM LEVEL (MILLION OF DOLLARS)

	1981	1982	1983	1984
Forest Highways (TF)	33	33	50	50
Public Lands Highways (TF)	16	16	50	50
Park Roads and Parkways*	--	--	75**	100
Indian Reservation Roads*	--	--	75**	100

*Prior to FY 1983, park roads and parkways and Indian reservation roads were funded totally out of the Department of the Interior budget.

**Does not include Department of Interior FY 1983 appropriations for park roads and parkways and Indian reservation roads.

The Federal Lands Highways Program provides for the improvement and construction of those roads which are open to the public and serve Federal lands and their resources. Funds are allocated according to relative need identified through land use planning and resource management activities. The FHWA has program oversight and coordinating responsibilities to ensure that Federal lands highways are treated under similar uniform policies as roads which are on the Federal-aid system. That is, there shall be a transportation planning process, the roads and parkways will be designed and constructed to safe and adequate standards, and they shall be adequately maintained.

Interagency agreements with the National Park Service and Bureau of Indian Affairs have been prepared to conform to the new legislation and to assure nondisruptive implementation of the Federal Lands Highways Program. These agreements identify the roles and responsibilities of the FHWA and the responsible land managing agencies.

The current status of the transition and implementation of the new Federal Lands Highways Program for each category of funds is as follows:

FOREST HIGHWAYS. The 1983 allocations have been made based upon the existing land area and forest value formula. A forest highway inventory and needs study is currently underway. Using the forest highway inventory and needs data together with other forest resource data, a revised allocation based on relative needs will be deter-

mined for FY 1984. The current 5-year priority construction program as developed between State highway agencies (SHA) and the Forest Service is still valid and will be updated annually. The FHWA will be performing most of the design and construction supervision work with some assistance from SHA.

PUBLIC LANDS HIGHWAYS. As in the past, the SHA make applications. However, future allocations will be based upon the relative needs in accordance with established criteria giving preference to those projects which were significantly impacted by Federal land and resource management activities. Both the FHWA and SHA will be sharing design and construction supervision work.

INDIAN RESERVATION ROADS. Fiscal year 1983 allocation has been made to various Indian reservations using previously established criteria of road mileage, population, and land area. The Bureau of Indian Affairs has been authorized to proceed with transportation planning, engineering studies, and design. The priority program of projects for construction in the amount of $59 million has been approved. The Bureau of Indian Affairs will be submitting requests for the remainder of the authorized amount shortly. Transportation studies are underway and by October 1983, remaining studies will be completed for determining relative needs and developing long-range priority programs. The Bureau of Indian Affairs will be performing most of the design and construction work, and FHWA will be providing assistance upon request.

PARK ROADS AND PARKWAYS. Allocations are based upon a priority program of projects developed from planning, inventory, and engineering studies, taking into account the park management plans. A $2.2 million program for planning and engineering work along with a $54.8 million construction priority program of projects has been approved. The National Park Service has recently submitted a priority program for the remainder of the FY 1983 authorized funding which should be approved shortly. The FHWA will be performing most of the design and construction supervision work with the National Park Service performing the architectural and landscape design.

OWNER-OPERATOR CONCERNS REGARDING TRUCKERS' STRIKE

Senator Andrews: What is the Department doing to address the concerns of the independent owner-operators, following their strike? What plans are there to reduce and/or simplify State reporting requirements?

Response: The DOT has met and talked with a number of responsible independent owner-operator organizations and have indicated our willingness to listen to their problems and pay serious attention to their suggestions. We will continue these discussions to work out a helpful solution to their concerns.

The DOT is also accelerating the study of alternatives to the use tax.

We have also had discussions concerning strategy for reducing costs incurred in meeting varying requirements of States in their

economic regulation of trucks. We have further expressed our willingness to consider legislation to address the issue of State uniformity in trucking regulation and registration by authorizing the Secretary of Transportation to issue regulations based on recommendations from a Federal/State committee, including owner-operator representatives.

The Surface Transportation Assistance Act (STAA) of 1982 contains provisions to exempt the independent owner-operator, with five or fewer trucks, from any heavy vehicle use tax increase for 2 1/2 years, and provides for a gradual phase-in of the tax over a 4-year period that does not begin until July 1985.

The STAA also contains provisions to allow a maximum gross weight of 80,000 pounds and a maximum length of 48 feet per trailer over the Interstate System and designated Federal-aid primary highways. It also allows 102-inch wide vehicles over these same highways that have lanes designed to be 12 feet wide or more to increase productivity.

OWNER-OPERATOR SEMINARS

Senator Andrews: We understand the ICC and DOT are collaborating on business and management seminars for owner-operators. To what extent has FHWA participated in this effort?

Response: The Small Business Administration, the ICC, and the DOT are jointly sponsoring 2-day conferences for truck owner-operators at various locations throughout the Continental United States. These conferences are designed to provide owner-operators a "hands-on" approach to tackling the many problems of establishing and operating their business. The FHWA's Bureau of Motor Carrier Safety has been designated as the implementation agency for DOT. The conferences were begun in July 1981 and are ongoing at the present time. The objectives of the conferences are to instruct owner-operators how to comply with Federal regulatory requirements and to help them to improve their business skills and profits. This includes discussion on the provisions of the Motor Carrier Act of 1980 that permit them to expand their business opportunities. The DOT presentation primarily acquaints the attendees with the provisions of the Federal Motor Carrier Safety Regulations and that portion of the Hazardous Materials Regulations about which drivers should be knowledgeable. The attendees are also briefed on the financial responsibility requirements applicable to motor carriers. Relevant information concerning the provisions of the Surface Transportation Assistance Act of 1982 have been added to those conferences conducted in 1983. As of March 31, 1983, approximately 4,000 registered and nonregistered attendees have participated in 54 conferences over the past 21-month period.

STATE MATCH DEFERRAL

Senator Andrews: The Surface Transportation Assistance Act allows States to defer paying its match for interstate funds. We understand the FHWA has issued an emergency regulation to implement this provision. Please provide an explanation of how this will be

implemented, in light of States' concern that the deferral only applies at the point at which the State gets reimbursed, rather than at the point of project approval.

Response: The Federal Highway Administration (FHWA) issued procedures on March 3, 1983, permitting the waiver through September 30, 1984. The deferral applies for the total matching share waiver requested from the date of project approval. However, inasmuch as the amount due to be repaid by the State at September 30, 1984, is determined from the amount of waived matching share actually reimbursed to that date, the amount of actual deferral may be less than the amount of matching fund waiver requested at the time of project approval. The procedures allow the States to request obligation for only the portion of waived matching share which are expected to be reimbursed through September 30, 1984, in addition to the normal obligation for the regular pro rata Federal funds. This will allow better utilization of the additional funds available for the waived matching funds.

Senator Andrews: What will be the result if this deferral is only utilized to fund those short-term projects which can be funded during the period of the deferral?

Response: Inasmuch as the deferral amounts are based on reimbursements to the States, it would appear that funding short-term projects with rapid payouts, i.e., receiving full or significantly all reimbursement by September 30, 1984, would be the most advantageous method of utilizing the deferral benefits.

Senator Andrews: How many States have indicated an interest in utilizing this deferral?

Response: Approximately 17 States have indicated an interest in using the matching fund waiver provisions.

Senator Andrews: Does FHWA believe a change in law is required to address the States' concerns on timing of the deferral?

Response: The FHWA has no basis for recommending a change in the law.

Questions Submitted by Senator Abdnor

PROPOSED MBE REGULATIONS

Senator Abdnor: What can you tell me about the proposed regulations on Minority Business Contracts? I understand that the Federal Highway Administration is thinking about tightening up the compliance regulations to gain more state compliance.

Response: Subsection 23.66(e)(1) of the proposed MBE regulation would grant the Federal Highway Administrator authority to take any action provided for in 23 CFR 1.36 in case on noncompliance with the MBE requirements.

PROPOSED SANCTIONS FOR NONCOMPLIANCE

Senator Abdnor: What are the proposed penalties for not coming under compliance to the regulations?

Response: Sanctions that can be applied under 23 CFR 1.36 are as follows: "If the Administrator determines that a State has violated or failed to comply with the Federal laws or the regulations in this part with respect to a project, he may withhold payment to the State of Federal funds on account of such project, withhold approval of further projects in the State, and take such other action that he deems appropriate under the circumstances, until compliance or remedial action has been accomplished by the State to the satisfaction of the Administrator."

INSUFFICIENT MBE CONTRACTORS

Senator Abdnor: In the case of my State, South Dakota, we utilized less than 1/2 of one percent of our highway funds in MBEs last year. The large majority of our minorities are concentrated on the reservations which are some of the worst pockets of poverty in this country. We have virtually no minority businesses large enough to handle road or bridge construction. What would be some of the State's options under these circumstances?

Response: The proposed rule to implement the MBE requirements of the Surface Transportation Assistance Act of 1982 would grant the Federal Highway Administrator authority to waive the ten percent MBE participation requirement in cases where such a waiver is justified. The proposed rule includes specific criteria that would be used to evaluate State requests for a waiver. One of the criteria specified is the number of MBEs available for work on the State's federally assisted contracts. Until the proposed rule is finalized States may request deviation for fiscal year 1983 under the Department's existing MBE regulations (49 CFR 23.41(f)). As of this date, South Dakota has not made such a request.

Also, it should be noted that opportunities for MBE participation in the federally assisted highway program are not limited to road and bridge construction work. States can count the participation of minority lawyers, technical assistance firms, architectural and engineering firms, materials suppliers, equipment renters, etc.

EFFORTS TO LOCATE MINORITY CONTRACTORS

Senator Abdnor: Will South Dakota have to go outside its borders to find minority contracts? None of our neighbors have been doing very will either. Are we going to have to go to both coasts to find qualified contractors?

Response: States will be expected to include out of State MBE firms in their federally assisted highway work where possible. It is expected that the States would take affirmative action to obtain the participation of MBEs from other States. Generally, the States would be expected to seek MBE participation of firms that are located within a reasonable distance of the work site. The distance will vary depending on the type and amount of work available to MBEs, and the willingness of MBEs to travel to the site. Under no circumstances will a qualified MBE be prohibited from competing in any State for federally assisted highway work.

FISCAL YEAR 1983 MBE GOAL

Senator Abdnor: Is it true that while South Dakota recently indicated its MBE contracting goal for 1983 was .4 percent, FHWA has dictated that the state must achieve a 7.6 percent level? Could you translate those figures into actual dollars?

Response: In order to comply with the statutory requirements of Section 105(f) of the Surface Transportation Assistance Act of 1982, the Federal Highway Administration issued a memorandum and attachment of February 18 to its field offices assigning fiscal year 1983 MBE goals. A copy of the memorandum and the attachment which lists the State by State goal assignments is attached. A fiscal year 1983 MBE goal of 7.6 percent was established for South Dakota based on the procedures indicated in our February 18 memorandum.

The memorandum indicates that the fiscal year 1983 MBE goals apply to the Federal-share of the total amount of contracts awarded during fiscal year 1983, unless the Administrator grants a deviation. We are unable to provide the dollar value of MBE awards which the 7.6 percent would reflect since we do not know at this time what the total amount of contracts will be in South Dakota in fiscal year 1983.

(Clerk's note.--The memorandum and attachment appear with Senator Andrews' questions under the heading of MBE Set-Asides.)

APPLICABILITY OF MBE GOALS

Senator Abdnor: There is a highway letting in South Dakota today. Under pressure from the Federal Highway Administration, the South Dakota DOT has revised the MBE goals for the contracts involved so that, according to James Myers, the South Dakota Secretary of Transportation, "the overall goal for the letting meets the required ten percent." Do you actually believe Congress intended, under Section 105(f) of the 1982 Act, for the broad overall national MBE goal of ten percent to be passed down to every DOT grant recipient, and even further to every individual contract?

Response: The language of the statute provides that except to the extent the Secretary determines otherwise, not less than ten percent of the amounts authorized to be appropriated under the Act shall be expended with small businesses owned and controlled by socially and economically disadvantaged individuals as defined by Section 8(d) of the Small Business Act.

The fiscal year 1983 MBE goals that have been assigned to the States are overall annual percentage goals. These goals apply to the States for the fiscal year unless a deviation is approved. States assign appropriate MBE goals to individual contracts based on their assessment of potential of those contracts for MBE participation. Accordingly, individual contract goals can vary from substantially less than ten percent to percentages greater than ten percent. Some contracts may not have an MBE goal assigned to it if it is found to have very little or no potential for MBE participation. The State's MBE achievements will be evaluated on the basis of overall annual MBE goals and not individual contract goals.

IMPACT OF MBE ON CONSTRUCTION

Senator Abdnor: Do you think that the inflexible approach of the Federal Highway Administration and the Department of Transportation in its implementation of this provision is going to cause program delays, increased cost and litigation? And if that's the case, isn't your method of implementation in conflict with the overriding objectives of the 1982 Act, namely the immediate and substantial increase in the level of construction and reconstruction of transportation facilities in this country?

Response: The approach taken by the Department in the proposed rulemaking and interim instructions are specifically intended to provide the most flexibility possible while remaining consistent with the mandate of the law. For example, the Department has received public comments that Section 105(f) should be implemented on a contract by contract basis rather than the proposed annual overall goal and waiver approach.

It is possible that some program delays, increased cost and litigation will occur. We are doing everything we can to cooperate with the States in moving the federally assisted highway program ahead without undue disruption.

Questions Submitted by Senator Chiles

STATES' ABILITY TO OBLIGATE

Senator Chiles: Your statement noted that States are already starting to use the increased funding recently provided by the Surface Transportation Assistance Act and that last month obligations were almost $1.1 billion, the highest ever recorded for the month of February.

As you know, current law establishes a spending ceiling of $12.1 billion for F.Y. 1983 and just yesterday in the Jobs Bill Conference, we agreed to increase that ceiling by $275 million to a total of $12.375 billion.

Based on your current estimates, will the States be able to obligate the full $12.375 billion?

Response: The Federal Highway Administration has not conducted a formal survey of the States to determine how much they can obligate during fiscal year 1983. AASHTO, however, has completed a survey which indicates that the States can obligate the full $12.375 limitation. We would also make the observation that the Congress by significantly increasing highway authorizations and enacting provisions that would temporarily waive State matching requirements and the FHWA by apportioning the authorizations very quickly, have provided the States with the maximum opportunity to reach the $12.375 billion obligation limitation.

JOB CREATION

Senator Chiles: Is the FHWA keeping track of the new jobs that are being created by this additional highway spending? What has been the jobs creation impact since January 6th when the President

signed the STAA and you--on the same day--made the funding allocation to the States?

Response: The FHWA has initiated a procedure to identify and quantify the employment generated by the increase in the Federal-aid highway program. The FHWA's Division Offices are being instructed to collect on a sample basis employment data stratified by the major Federal-aid highway programs. We expect to have the initial data and analysis completed by September 1983, at which time we can report on job creation as a result of the new Federal-aid funding.

In addition, we are exploring procedures to determine the impact of the increased Federal aid on the State program and employment resulting from State-only projects. We do know that overall obligation levels are up for Federal aid from $3.883 billion for the first quarter of 1982 to $4.601 billion for the first quarter of 1983. This 16 percent increase in obligations has an obvious impact on job creation in the highway construction industry.

NEW FEDERALISM

Senator Chiles: You referred briefly in your prepared statement (P. 10-11) to the President's proposal to implement his New Federalism Initiative. The proposal as we understand it, based on earlier drafts, is to turn back to the States certain Federal-aid highway programs but retain for several years control of the funding to support these programs at the Federal level. Federal funding support would be fixed at about $2.5 billion per year. Why does the Administration propose to keep control of the funding while turning back program responsibility to the States?

Response: Rather than controling the funding, this proposal would provide State and local governments with stable and predictable funding levels for the programs in the block grant through fiscal year 1988. A State may elect to assume responsibility for the block grant in any of the 5 years, and as a result would be able to spend the funds on any purpose currently eligible under Chapter I of Title 23.

Senator Chiles: Is there some feeling on the part of the Administration that the States would be incapable of managing Federal funding they would receive from the New Federalism proposal?

Response: The Administration's proposal restores to State and local governments their appropriate role in establishing transportation priorities and implementing the most efficient solution to problems. It enhances State and local government officials' abilities to deal with domestic needs that have traditionally been their responsibility in the way that best meet the concerns of their citizens.

Senator Chiles: Since the proposed Federal funding to support the programs to be turned over to the States is roughly equivalent to 2 cents in Federal gas tax revenue, why not let each State, if it so chooses, preempt 2 cents of the Federal gas tax and retain it in that State to carry out those highway programs for which it agrees to assume responsibility?

Response: During the 5-year period, the Administration will

determine whether it is feasible to return revenue sources to State and local governments commensurate with funding for the programs in the block grants. The President will establish a presidential commission on the revenue return issue. However, your suggestion might pose a constitutional problem with Federal taxation in States. Further, it would also be difficult administratively to implement selective repeal of Federal gas taxes since their taxes are collected at the point of manufacture, not distribution. In the interim, this prposal retains the redistributive nature of the Federal-aid program, apportioning user revenues on the basis of factors which reflect highway needs.

Senator Chiles: Would not this achieve some of the key objectives of the Administration--encourage States to assume greater responsibility for highway programs of reduced Federal interest, reduce red tape, provide greater flexibility in the use of the limited transportation resources available, reduce costs for both construction and administration at both the State and Federal levels?

Response: The block grant as proposed is designed to remove unnecessary restrictions on State decisionmaking and to give the States the flexibility to respond efficiently to special circumstances. For example, States would have the ability to spend the block grant on any project eligible under Chapter I of Title 23, without matching requirements.

NAVIGATION AND DISCRETIONARY BRIDGE PROJECT SELECTION

Senator Chiles: Why should not the criteria for selection of bridges to be replaced or rehabilitated under the Discretionary Program also include considerations related to water traffic such as safety of shipping, safety of the travelling public on both water and bridge, obstruction to navigation, economic impact on a port, planned use by defense related shipping, etc?

Response: The adequacy of the waterway under a bridge is one of the factors currently used to determine whether bridges are deficient or not. It is one of the components of computation of the sufficiency rating of bridges as is whether the bridge is on a defense highway. These factors and the safety and cost-effectiveness of bridges have been and will be considered in the process of selection and evaluation of discretionary bridge candidates.

TALMADGE BRIDGE IN SAVANNAH, GEORGIA

Senator Chiles: Would not a bridge such as the Talmadge Bridge in Savannah probably qualify for Discretionary Bridge funding if all of these relevant factors were considered?

Response: The Talmadge Bridge in Savannah would qualify for discretionary bridge funding under both past and prospective future criteria for discretionary fund allocations. However, there are many good candidate projects for the available funds. It is not possible to say at this time which, among all of the good candidates, will definitely be funded in the future.

SUNSHINE SKYWAY BRIDGE

Senator Chiles: Would not a bridge such as the Sunshine Skyway -- a disaster waiting to happen -- have failed to meet the criteria in Section 161 even if the State had applied for Bridge Discretionary funding prior to the tragic accident which brought down the bridge and killed 35 people?

Response: The Highway Bridge Replacement and Rehabilitation Program is directed towards improving bridges which are classified as deficient by the States in their inventory and evaluations under the National Bridge Inspection Standard. If the Florida Department of Transportation had classified the Sunshine Skyway Bridge as deficient with regard to waterway adequacy, for example, it would have been eligible for bridge program funding under both past and future criteria for discretionary bridge allocations. However, it would have been in competition with all other eligibile candidates for available funds.

INTERSTATE COST ESTIMATE

Senator Chiles: The 1983 Interstate Cost Estimate has been sent to the Senate and House. There are some significant changes in the cost to complete the Interstate System and in the States' apportionment factors. Could you describe some of the more significant changes in the ICE and the reasons therefor?

Response: The 1981 Interstate Cost Estimate reported a $53.8 billion cost to complete the System (as of 1/1/80). The 1983 cost estimate reports a $36.3 billion cost to complete the System (as of 1/1/82) reflecting the significant reduction brought about by the redefinition of construction eligibility in the Federal-Aid Highway Act of 1981. Eligibility of Federal-Aid Interstate funds for items on completed sections such as added interchanges, safety improvements, bridge widening, interchange improvements and upgrading, and landscaping and noise abatement measures on open to traffic sections were transferred to the newly established 4R program (resurfacing, restoration, rehabilitation and reconstruction). Significantly, cost for necessary gap work and major upgrading work on incorporated segments which have not had upgrading with Interstate funds amounts to 86.2 percent of the cost in the 1983 cost estimate. This important work amounted to only 63.2 percent of the cost shown by the 1981 cost estimate before the redefinition.

Senator Chiles: When must the 1983 Interstate Cost Estimate be approved by the House and Senate for the next apportionments to be made to the States?

Response: Approval of the 1983 Interstate Cost Estimate by July 1, 1983, is preferrable so that States may be given advance notification of their apportionments. However, if the fiscal year 1985 Interstate Construction funds are to be apportioned to the States on October 1, 1983, the estimate must be approved by September 30, 1983.

INTERSTATE MATCHING CAPABILITIES

Senator Chiles: Do you expect any States to have problems with matching Federal funds for Interstate, or any of the other Federal-aid programs, this fiscal year?

Response: At this time, only two States have requested a temporary waiver of matching funds that was provided in the 1982 STAA. In 1982, approximately $19 billion was invested for highway capital improvements, over $10 billion of which was either State or local funding. With this level of funding available, it is doubtful that many States will experience difficulty matching any Federal-aid highway program, especially since this level of available State revenues is expected to continue increasing.

BULLET TRAINS ON INTERSTATE

Senator Chiles: What is the possibility of utilizing Interstate rights-of-way in Florida for the so called "bullet trains"?

Response: The extent to which any given Interstate facility could accommodate a high-speed rail facility would have to be determined on a case-by-case basis. The initial decision on the feasibility of such use would have to be considered by the State highway agency as it owns the rights-of-way and is responsible for its maintenance and operation. Under existing Federal regulations, the Federal Highway Administration may consider nonhighway joint uses of an Interstate highway provided the use is in the public interest, does not impair the highway or its proper maintenance, and does not interfere with safe and efficient traffic operation along the freeway.

Apart from the question of the availability of Interstate right-of-way, a primary consideration of feasibility relates to the Interstate alignment itself. Although Interstate highways have been built to the highest highway standards, the horizontal and vertical grades being utilized for the highway are generally incompatable with those required for high-speed rail operations, particularly bullet trains, that require extremely flat and relatively straight alignments. As a result, it is unlikely any high-speed rail alignment could be contained solely within the freeway right-of-way.

OFFICE OF THE SECRETARY

STATEMENT OF DONALD A. DERMAN, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS, DEPARTMENT OF TRANSPORTATION

ACCOMPANIED BY ROBERT L. FAIRMAN, ASSISTANT SECRETARY FOR ADMINISTRATION

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. We next are going to hear from the Office of the Secretary. Mr. Donald Derman, the Assistant Secretary for Budget and Programs, and Bob Fairman, the Assistant Secretary for Administration. It is interesting the way we get the Secretary one day or one time and then several weeks later we get the Office of the Secretary. I do not know whether that means there is limited connection between the two.

In recognition of the lateness of the hour, I am sure the witness will be very happy to know that his statement will be put in the record as though he uttered it word for word, and he may summarize as he wishes in any way, so we can get to the questions.

Mr. DERMAN. I would be glad to do that, Mr. Chairman. If I might just make a couple of summary points, and at this time introduce my colleague on the right, Bob Fairman, the Assistant Secretary for Administration. I would like a short statement submitted for the record, as the chairman has suggested.

BUDGET REQUEST

As usual, we appreciate the opportunity to appear before the committee to discuss the 1984 budget for the Office of the Secretary appropriation. For fiscal year 1984, we are requesting $49.8 million in budget authority. That represents an increase of $4.8 million over the fiscal year 1983 appropriation, with that increase mainly attributable to our belief that the transportation planning, research and development appropriation should be restored to a more realistic level, and an increase in contract funds for the Minority Business Resource Center.

Most of the accounts, with the exception of those two that I mentioned, are held generally at the 1983 level. For salaries and expenses, we are requesting $42.5 million. Included in that request is $4 million for contract support for the Minority Business Resource Center. For transportation planning, research and development, we are requesting $7.3 million. We believe this request will restore this account to a level necessary for conducting in-house research and policy studies, and we do feel that it is important for the Secretary to retain the capability of conducting those studies.

The only other major aspect of the Office of the Secretary budget is

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the working capital fund. With respect to that fund, although no separate appropriation is required, we are proposing a limitation of $68 million. As you know, the working capital fund provides for expenses necessary for the maintenance and operation of common administrative services in the department.

These major summary points, Mr. Chairman, complete my introductory comments. We would be happy to respond to your questions.

[The statement follows:]

STATEMENT OF DONALD A. DERMAN

Mr. Chairman and members of the committee, we are pleased to have the opportunity to appear before your committee to discuss the fiscal year 1984 budget for the Office of the Secretary.

The Office of the Secretary assists the Secretary in the coordination and management of current activities among the Department's nine operating administrations and in the planning and research associated with transportation policy issues.

For fiscal year 1984 we are requesting $49.8 million in budget authority for the Office of the Secretary, an increase of $4.8 million over the fiscal year 1983 appropriation. This increase is mainly attributable to restoration of Transportation Planning, Research and Development to a level more commensurate with the activities to be conducted and increased contract support for the Minority Business Resource Center. Other activity levels are essentially the same as estimated for fiscal year 1983.

I would like now to highlight for you the appropriation requests that are listed under the Office of the Secretary.

SALARIES AND EXPENSES REQUEST

For the Salaries and Expenses appropriation, which provides for the overall management and direction of the programs of the Department, we are requesting $42.5 million, an increase of $2.5 million over the fiscal year 1983 appropriation. Included in the request is $4 million for contract support of the Minority Business Resource Center, which was converted from reimbursable to direct funding in fiscal year 1983.

In fiscal year 1984 we will continue to address issues related to the rebuilding of our nation's transportation system. Particular attention will be focused on assessing the impact of user fees and regulatory changes on those who are most affected, in order to minimize any burdens that may accompany this period of transition.

The single major increase in the fiscal year 1984 request above the 1983 level is $1.3 million for contract support for the Minority Business Resource Center. The Surface Transportation Assistance Act of 1982 requires, unless the Secretary determines otherwise, that ten percent of the funds authorized to be appropriated under the Act be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals. While the Department is very enthusiastic about supporting this goal, it presents a considerable challenge to the Department, due to the scarcity of such firms in some parts of the country and the fiscal inability of some existing firms to obtain and successfully complete transportation contracts. The major thrust of the Minority Business Resource Center is to enable minority firms to overcome the financial barriers to obtaining contracts. In the past the Minority Business Resource Center has been criticized for carrying a large unobligated balance from year to year, but the situation has changed dramatically this year. Over $15 million, representing most of this balance, has already been obligated, primarily in support of surety bonding and short-term loan programs that are necessary if minority firms are to compete successfully for contracts. The new fiscal year 1984 funding that is sought for the Minority Business Resource Center will be supplemented by related programs in UMTA and FHWA. In the case of UMTA, $5 million is requested in FY 1984 for this purpose under the Section 20 Human Resources program. FHWA is authorized to use $10 million for minority business training and assistance under its Section 140(c) program.

The remaining portions of the Salaries and Expenses request increase by about three percent over the fiscal year 1983 appropriation. This is attributable to annualization of other-than-full-time permanent personnel, and higher costs of maintenance, repairs, rents, communications, and other items of this nature. These increases are somewhat offset by a small reduction estimated for full-time personnel compensation, since no further payments of severence pay and unemployment compensation are projected.

You will also note that the representation fund shows an increase of $10,000. This simply reflects the inclusion of representation requests from the

Maritime Administration and the St. Lawrence Seaway Development Corporation under the Office of the Secretary account in FY 1984 with no increase in the DOT total.

Also requested for fiscal year 1984 are 540 positions. This represents a decrease of three positions from FY 1983.

TRANSPORTATION PLANNING, RESEARCH AND DEVELOPMENT REQUEST

We are requesting $7.3 million for the Transportation Planning, Research and Development appropriation, which provides for the contract studies and research done in support of analysis, planning, and policy development in the Office of the Secretary. While this request is $2.4 million higher than appropriated in fiscal year 1983, it is still only 74% of the fiscal year 1981 level. Our request will restore this account to a level necessary for conducting multi-modal research and policy studies. We feel that it is important for the Secretary to retain the capability of conducting broad policy analyses, including modal comparisons.

In the fiscal year 1984 request most of the increase is attributable to programs in the Office of the Assistant Secretary for Policy and International Affairs that are concerned with studying the impact of recent legislative and regulatory changes.

Also requested for fiscal year 1984 are 27 positions, a reduction of two from the fiscal year 1983 level.

OTHER DEPARTMENTAL PROGRAMS - WORKING CAPITAL FUND

No separate appropriation is required for the Working Capital Fund, but a limitation of $68 million is proposed. As you know, the Working Capital Fund provides for expenses necessary for the maintenance and operation of common administrative services in the Department. This approach to common services is used extensively throughout the Executive Branch because it produces savings due to its inherent economy and efficiency. The fund is indirectly financed by appropriations made to the Office of the Secretary and the operating administrations of the Department.

Since enactment of this year's budget, our estimates for this account have been adjusted to reflect further savings. While the Congressional limitation was $70.9 million, estimated costs have been reduced by $4.5 million to $66.4 million. This reduction results from savings in several activities financed through the Working Capital Fund, including discontinuance of a second shift in the printing operation; space reductions, and consolidation of the warehouse, photographic, and library facilities; and other management improvements. For fiscal year 1984 an increase of $1.8 million over the adjusted fiscal year 1983 is requested, primarily for annualization costs to continue programs at fiscal year 1983 levels.

FUNDING TO IMPLEMENT PAPERWORK REDUCTION ACT

Senator ANDREWS. Thank you, Mr. Secretary.

Under the budget for the Assistant Secretary for Administration, you are requesting an increase of $40,000 to implement Public Law 96-511, the Paperwork Reduction Act. According to your justification material, under this act information must be provided to the OMB which maintains data files on a Government-wide basis. Before new reporting clearance can be obtained, the OMB system must be searched to assure that the information is not already being collected. Aside from the ludicrous additional paperwork which seems to be generated by the Paperwork Reduction Act, it seems as though this additional budget request is required for a search of the OMB software for possible duplication. Does this mean that OMB is requiring you to pay the cost of its own computer paperwork generated by the Paperwork Reduction Act?

Mr. FAIRMAN. Mr. Chairman——

Senator ANDREWS. And why is OMB incapable of checking its own computers for possible duplication without charging the cabinet department?

Mr. FAIRMAN. Mr. Chairman, the way this system works is that, before we submit a requirement to OMB for approval that is going to put an additional paperwork collection burden on people other than within the Federal establishment, we have to verify that that kind of data is not being collected elsewhere by other Government agencies. The system that was set up under the Paperwork Reduction Act was a Federal information locator system, and this system consists of all of the kinds of data elements that are being collected by the Federal Government. What we want the money for is to be able to inquire into the OMB system, so that we can assure ourselves that we are not already, or that we are not going to ask approval to collect data that is being collected elsewhere within the Government.

Senator ANDREWS. Yes; but what happens if you run into the same data being collected elsewhere in Government? Do you tell them they cannot have that data, you just want it, or you get it from them, or what do you do? Flip a coin to decide if they collect it and you do not?

Mr. FAIRMAN. Mr. Chairman, if in fact we found that, we would make arrangements to use the data that is being collected by another Government agency.

Senator ANDREWS. Yes. The only trouble is, what if they decide they want to make use of the data that you are collecting, and you end up being saddled with continued collection? Who determines who continues to collect if you find two different agencies doing the collecting?

Mr. FAIRMAN. If the data is being already collected by a Government agency, and we desire to collect the same kind of data, we would use or at least try to use the data that is already being collected, so that we do not go out with a duplicate system.

Senator ANDREWS. Are you only inquiring about new data that you intend to collect?

Mr. FAIRMAN. Yes, well, we have——

Senator ANDREWS. You do not then do any checking on old data that you have been collecting for years?

Mr. FAIRMAN. Yes. We have, as a matter of fact——

Senator ANDREWS. So that you know that that does not duplicate what somebody else is already doing?

Mr. FAIRMAN. Yes. Well, as a matter of fact, we have done that. When we first started in the paperwork reduction business about 1980, we were collecting about 276 million burden hours a year. That is the amount of paperwork we were putting on the people that were filling out our forms, all various and sundry kinds. We are now down to about 98 million burden hours a year, so we have made a very significant reduction in the paperwork we have been collecting.

Senator ANDREWS. That is because you figured that it was not necessary to collect this, not that you found out that somebody else was collecting it already.

Mr. FAIRMAN. Yes; that is correct.

Senator ANDREWS. But you still do not trigger the duplication search unless you are starting a new and innovative collection operation.

FEDERAL INFORMATION LOCATOR SYSTEM TEST

Mr. FAIRMAN. Yes; that is probably accurate. As soon as the Federal information locator system test begins, we will be doing a search of all requests—new and renewals.

Senator ANDREWS. So you may be sitting out there with a number of collection operations that have been going on for a good many years that other people in this Government are doing the same thing.

Mr. FAIRMAN. I certainly think that that is a possibility. I do not think it is a very great possibility, because we have, in scrubbing down that number of hours, been very conscientious about the kind of data we have been collecting, and we hold meetings with the information collection people at OMB that has got the overall responsibility for the Government in this area.

Senator ANDREWS. Is that not what we would have expected from this great new administration, eliminating waste, fraud, abuse, and all those wonderful terms?

Mr. FAIRMAN. Yes, sir.

Senator ANDREWS. And you probably would have done it even without the Paperwork Reduction Act.

Mr. FAIRMAN. Well, I do not think that we would have had the impetus that we have had.

Senator ANDREWS. Well, does not the impetus toward good management just come along because you folks are good managers?

Mr. FAIRMAN. We would like to think we are good managers.

TRANSPORTATION ISSUES SEMINAR

Senator ANDREWS. According to your budget justification, you are requesting an additional $270,000 for research and development of a senior executive service transportation issues seminar and a transportation issues seminar for midmanagement.

Mr. FAIRMAN. Yes.

Senator ANDREWS. Apparently, these programs will, as you say, review for the participants the factors that have influenced the development of transportation policy in the United States, determine the perceptions of transportation policies held by members of the public and groups with particular interest in transportation policies, review existing knowledge of transportation policy, and analyze future direction of transportation policy.

How is it possible that individuals become senior executives in the Department of Transportation without knowing these basic aspects of transportation policy?

Mr. FAIRMAN. That is a very good question. One of the problems——

Senator ANDREWS. I thought it was or I would not have asked it. [Laughter.]

Mr. FAIRMAN. Yes; it is a good question. One of the problems that we have, and I do not think we are unique, is that we have people that become senior managers that in fact are very much modally oriented, so that they know all about the elements of transportation that affect aviation or mass transit or highway, but they do not necessarily have a very good understanding of all of the other elements of transportation that bear on those. And it is not just in transportation. You can find senior executives that have come up in a particular discipline, engineering as an example, that have no appreciation of the budget process, or no appreciation of the other management processes.

Senator ANDREWS. So much for the people that are out in the fringes that have not been brought up to date on transportation policy, that perhaps more to the point, why is it that you need to spend $270,000 for research and development to develop such seminars? Are we to take this to mean that those of you in the Office of the Secretary do not know much about these things either, and that is why you have got to spend $270,000 to upgrade yourself to the point where you can conduct these seminars?

Mr. FAIRMAN. No. As a matter of fact, this statement of justification is not quite complete, because it will not only be the development——

Senator ANDREWS. It may not be quite complete, but it is certainly intriguing.

Mr. FAIRMAN. It will not only be the development of the courses, but it will be the instruction, it will be the teaching of courses, and we are talking about two fundamental courses, the senior careers course and the midmanagement. So we are probably talking about, oh, 2,500 people at least that would be involved in taking those courses.

Senator ANDREWS. Well, you are saying that $270,000 is requested for research and development of a senior executive service transportation issue seminar for midmanagers. I would think if you wanted to have the program, you would put your top people in policy and stand them up in front of these middle managers who have been off on the fringe and out of the, shall we say, mainstream, and talk at them, and let them ask questions, and they would be brought up to date by those of you in the Department who have that expertise. But what it looks like is you are spending a quarter of a million dollars to develop that expertise in some people who then will become the teachers, because the expertise does not now exist in the Department. It is all a matter of how you read your request.

Mr. FAIRMAN. Yes; I understand that.

Mr. DERMAN. I think it is fair to say, Mr. Chairman, that we would use some of the expertise from our policy office to work with the developers in this particular——

Mr. FAIRMAN. Well, we would also use them to actually participate in the seminar.

Senator ANDREWS. Sure, but the point is, where are you going to get this expertise that justifies spending $270,000? We would have assumed that it was already, shall we say, assembled in the Department of Transportation. So do you use that much money to get from the people in the department the information to give to some third party who then conducts your seminar?

Mr. FAIRMAN. Well, included in there, though, would not only be the development of the actual courses themselves, but would be the development of the course material, the publication of the course material, the use of instructors, and everything that goes with developing and running that program.

FUNDING FOR HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Senator ANDREWS. You have another item in here. You request $100,000 to provide for funds for historically black colleges. What do you hope to achieve with that? How are you going to use these funds? Is this an aid to education program within the Department of Transportation? Is it specifically authorized?

Mr. DERMAN. Mr. Chairman, with respect to the funding of historically black colleges, it is an effort to provide training to members of minority groups represented by these colleges so that they can partake more fully in the programs of the Department. Our initiatives in this area are fully coordinated with the Department of Education through the procedures established under Executive Order 12320, issued September 15, 1981.

There is broad authority for the Department to participate in this program; at least three statutes that I am aware of. I would be glad to supply the citations for those statutes for the record.

Senator ANDREWS. Will you do that for the record?

Mr. DERMAN. Certainly. And you are correct in indicating that the budget for 1984 was $100,000 for those purposes.

[The information follows:]

TRAINING AT HISTORICALLY BLACK COLLEGES

The funding of historically black colleges and universities, for the purpose of providing training to members of minority groups to partake more fully in the programs of the Department of Transportation, is authorized by the following statutes: (*a*) Section 332 of subtitle I of Title 49, U.S. Code, Transportation (deals specifically with MBRC); (*b*) Section 140 (b) and (c) of title 23, U.S. Code, Highways (authorizes "the Secretary"); and (*c*) Section 20 of the Urban Mass Transportation Act of 1964, as amended (authorizes "the Secretary").

SUBSTANTIAL UNIVERSITY RESEARCH PROGRAM

Senator ANDREWS. Yes, but you know, you do not want to negate the importance of black colleges in running an aid to education program, but why not out in some of the agricultural colleges, or why not in some of the trade schools, or why not—I mean, why there, and how much aid to education do we have in the overall budget of the Transportation Department?

Mr. DERMAN. Well, as you are no doubt aware, we have a fairly substantial university research program that is funded under the Research and Special Programs Administration. We also have some university research activities under the Urban Mass Transportation Administration, and I am sure we have contracts with educational institutions elsewhere. I do not have before me right now a composite of all that could be classified as aid to education within the Department. I would be more than happy to pull that together and supply it to you.

I would point out that, for instance, two of the historically black colleges have been designated university centers for transit research and management development, so that they get some——

Senator ANDREWS. Well, if you would also put a concise statement of the role of the Department of Transportation in this area of education, it would be edifying, I am sure, for members of the subcommittee.

Mr. DERMAN. We would be more than happy to do that.

[The information follows:]

DOT'S ROLE IN EDUCATION

The two primary means of financially assisting colleges and universities by the Department of Transportation are the university research program in the Research and Special Programs Administration and the university research and training program in the Urban Mass Transportation Administration. For fiscal year 1984, the requests for these two programs are $1.5 million and $2 million respectively, while the request for historically black colleges and universities is $100,000. Colleges and universities can also receive funds as the result of specific contracts for other research or training activities that they conduct for the Department.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION (RSPA)

The RSPA university research program is a Departmentwide effort which takes advantage of the wealth of talent available in the Nation's universities to perform research in support of DOT missions. The purpose of the university research program is to assure that resources of the higher education community are effectively brought to bear on transportation problems. The program is based on Section 9q of the DOT Act (Public Law 89-670). The operating administrations and the Office of the Secretary are involved in all phases of the program including determining research needs, proposal evaluation and selection, contract monitorship, and application of research results. The program focuses on fundamental, long-range, and multimodal transportation problems approved annually by the Deputy Secretary of Transportation.

URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA)

The UMTA university research and training program, authorized by section 11(a) of the UMT Act, serves both to utilize and to strengthen the capabilities of the academic community to:

One, promote research and training which will be relevant to and supportive of the goals, mission, and programmatic needs of UMTA, and which will strengthen State and local capability to plan, design, build, and operate transportation systems and services;

Two, encourage and support increased interactions between universities and local transportation and planning agencies on matters of local transportation concern;

Three, encourage universities to become a source of ongoing advice, observation, and evaluation with respect to transportation plans, programs, and projects in their own communities, and to serve as a mechanism for the exchange of experience with other urban areas and transit properties;

Four, assist in the training of individuals already engaged in professional activities in public transportation; and

Five, attract more of the Nation's young talent into careers in public transportation.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Through the requested funding and technical assistance for historically black colleges and universities, the Department is seeking to implement President Reagan's 1981 Executive Order 12320 on Historically Black Colleges and Universities. The major objective of the order is to increase the participation of these institutions in federally sponsored programs. Each Federal department and agency is to devise specific and measurable ways to identify, reduce, and eliminate unintended barriers, inadequate communication, and any other inequities that work to the disadvantage of historically black colleges and universities in participating in federally sponsored programs.

An evaluation in response to President Reagan's Executive Order 12320 indicated that 61 percent of the barriers identified were either technical in nature or related to communications problems. Consequently, the role of the Department of Transportation in this area of education is primarily directed to establishing and maintaining good communication links with historically black colleges and universities.

MINORITY BUSINESS RESOURCE CENTER

Senator ANDREWS. Now, you are also requesting increased program resources of $1.3 million for Minority Business Resource Center contracts. The Surface Transportation Assistance Act of 1982 requires that 10 percent of the funds provided by title I of the act be expended with small business concerns owned by socially and economically disadvantaged individuals.

Now, we have had considerable discussion with Mr. Barnhart earlier this morning on that. How do you define a socially and economically disadvantaged individual?

Mr. DERMAN. I am not sure that I have a strict and literal definition of what that is.

Senator ANDREWS. But after you spend $1.3 million, you figure you will be able to define it better?

Mr. DERMAN. The $1.3 million for the increased Minority Business Resource Center contractual support is just part of the base program for the MBRC. They will, of course, play a major role in identifying who those socially and economically disadvantaged segments are as we go through the in-house analysis of how to meet this 10 percent requirement.

Senator ANDREWS. So in essence what you are doing is spending $1.3 million to define who socially and economically disadvantaged——

Mr. DERMAN. No, I do not want to leave you with that——

Senator ANDREWS. Is that not what you just said?

Mr. DERMAN. I do not want to leave you with that thought. The guidelines for defining socially and economically disadvantaged individuals were spelled out by Congress in section 8(d) of the Small Business Act, and we do not have to spend money to make that determination. The Minority Business Resource Center, per se, has been active for some time, previously on a reimbursable basis from the Federal Railroad Administration account, coming off of previously enacted rail legislation. Just recently it has become a directly funded program under the Office of the Secretary. For some time there have been contract support activities with minority business firms to give them entry into transportation related activities, albeit early on with more emphasis in the railroad area.

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

Senator ANDREWS. Another item for tranportation planning, research, and development, you are requesting $7,256,000. This is, according to our computers, a 48-percent increase over the last fiscal year, the appropriation finances, as we understand, those research activities and studies concerned with planning analyses and information development needed to support the Secretary's responsibility in the formulation of national transportation policies, yet this program is carried out primarily through contracts with other Federal agencies, educational institutions, nonprofit research organizations. and private firms.

Why is it that the Secretary, with over 100,000 employees and a budget of approximately $27 billion, needs such substantial assistance in the formulation of national transportation policies, and why do you have to increase what looks like a training fund for the Secretary by 48 percent next year over the training fund you had last year?

Mr. DERMAN. Well, I think we need to put the——

Senator ANDREWS. Or is it that your internal capabilities have deteriorated so rapidly with the departure of Drew Lewis that you require a 48-percent increase in this budget item for fiscal year 1984?

Mr. DERMAN. Mr. Chairman, with respect to what we refer to as the TPR&D account, I think that the whole program needs to be put into its proper perspective.

Senator ANDREWS. That is what we are trying to do.

Mr. DERMAN. In fiscal year 1981, this program had appropriations of approximately $10.8 million. Over the years, as a result of congressional action on appropriations, and as a result of the administration's and the Department's own reviews of that program, we have identified the need for what we believe to be a stable appropriation level of between $7 million and $7.3 million.

Our original request last year was $7.8 million, and this committee marked it up at that level. The final conference agreement was approximately $5 million.

There are a lot of crosscutting policy analyses which the Secretary feels she needs to have investigated. Obviously, each individual operating administration has its own research budget, but there are five major policy areas that apply to all of the operating administrations: user charges, federalism, private enterprise participation, regulatory policy, and investment policy. The Office of the Assistant Secretary for Policy, within which the TPR&D account resides, is responsible for doing those crosscutting analyses and studies, some of it, it is true, is by contract, some of it in-house.

I believe there are 27 people that are assigned to that office, and that are paid out of this account. So out of an appropriation of, say $4.9 million, which was the appropriation in 1983, almost one-half of it is for the payment of salaries and expenses associated with those people, and the balance is for contractual studies, some of them in-house studies contracted to the Transportation Systems Center, for example. I think it is fair to say that in a department with 100,000 people and the vast array of programs that we carry out, the Secretary of the Department should have a source of funds which can be used for contract studies or for in-house studies, and that is what this account is all about.

We believe a $7.3 million appropriation request is a responsible one for that office when we measure it against what we believe its responsibilities are.

GAO STUDY ON TRANSPORTATION POLICY

Senator ANDREWS. Along that line, the committee has reviewed with interest a GAO study which came out last fall entitled "Strengthening Transportation Policy Development and Implementation." The findings of the study, as I am sure you know, were that, and I quote:

> Incoming Secretaries have not found in place a system for formulating and implementing a departmentwide long-term policy. Although a unit exists with the responsibility to develop such policy, it has often been bypassed in favor of other offices headed by persons who are personally close to the Secretary, or the unit is concentrated on quick response analyses.

The GAO felt that a system should be promoted which encouraged continuity and long-range policy development and implementation affecting more than one transportation mode. The Department has had eight Secretaries, nine Assistant Secretaries responsible for policy over 15 years.

According to former and current Department officials, this frequent turnover at the top has disrupted the development and implementation

of policy, particularly for the long term. The Secretaries, the report points out, have had to operate in a firehouse environment with day-to-day issues.

GAO proposed that the Secretary of Transportation establish a system for long-term policy development and implementation department-wide, and designate responsibility to a unit within the Office of the Secretary for managing and operating a system, and insulate this unit from addressing immediate issues resulting from day-to-day concerns.

Yet according to the GAO, the Department rejected its proposed process for long-term policy development and implementation. As a matter of fact, we are taking a look at this long-range policy development and implementation affecting more than one transportation mode in some intermodal hearings that we will have during the Easter recess with people in the transportation field, because we are intrigued by what GAO has brought up.

What is your response to the findings of the GAO, and why did you reject their recommendation that long-term policy formulation should receive separate attention?

DEVELOPMENT OF LONG RANGE TRANSPORTATION POLICY

Mr. DERMAN. Well, Mr. Chairman, I would like to make some general comments, and then Mr. Fairman may wish to elaborate. I do not think there is any disagreement between the Department and GAO on the importance of developing and implementing long-term policy aspects of the national transportation system.

I think where we disagreed was with respect to the interpretation that they placed on the Department's past experience in the general area of long-term policy planning. You mentioned that there were several Secretaries over time, and several Assistant Secretaries for Policy, but their staffs, of course, have been fairly permanent, career staff, not very much turnover, and the fact is——

Senator ANDREWS. That is the thing that is devastating, because the GAO pointed out that there is no core in place of long-range transportation planning, and that you talk about the permanent staff has been in place for a long time, and the GAO says they are there but they do not know much about planning, and now you are coming at us with all this money to try to bring them up to speed so they can in effect tell the key people in the department what transportation planning should be all about.

Mr. DERMAN. Well, I guess I would take issue with GAO's statement, because every example cited by GAO in its report is where the Department and the Office of Policy had in fact conducted substantial long-term policy analysis over many years, and it was conducted by exactly the staff of the various Assistant Secretaries.

It is true that long-range planning is carried out in the Department in many forms, and at many organizational levels. Obviously, each of the operating administrations has its own formal planning process, but when we testified last year about this time, I believe Assistant Secretary Connor had indicated that a recent reorganization of her staff from five

offices into three solidified and internalized its long-range planning and policy capabilities.

In addition, under Secretary Lewis, we undertook the development of a management objectives system which involved the Assistant Secretary for Policy as well as the other Assistant Secretaries, and elevated to a very high level overall objectives and goals which each of the Administrations signed on to accomplish, both short-term and long-term. And so therefore we do not believe that injecting another unit, or another layer with respect to the conduct of a policy planning process would be either productive or cost effective.

OFFICE OF POLICY AND INTERNATIONAL AFFAIRS

Senator ANDREWS. Of course, the question comes as the night follows the day, if everything is going so well, why the 48-percent increase? And of course there is a fellow by the name of Robert Fairman who wrote a letter on August 10, 1982, to the GAO, and let me read one paragraph from the letter.

It said:

> In 1982, the department has already taken important steps to improve and enhance policy development and implementation departmentwide, including a major revamping of the organizational structure of the Office of the Assistant Secretary for Policy and International Affairs and the creation of the Secretary's management objectives system. Because of these actions, and because of a somewhat different interpretation of past experience in this area, the department does not believe there is need for another new system for managing longer-term policy development and implementation.

Mr. DERMAN. That is consistent, I think, with the comments that I just made.

Mr. FAIRMAN. Yes, it is. As a matter of fact that office, with the exception of the Assistant Secretary, is now completely career people. I cannot think of any other noncareer person in there. It has a very low turnover. They have been the instrumental office in developing the long-range policy statements that the last three or four Secretaries, and perhaps going back even farther than that, to Secretary Volpe, have put out, and that has been the Office very instrumental in that.

I think there is a disagreement between us and GAO on what long-range planning is and what it means, and we are convinced that the changes that we have made have strengthened that office, and in fact they do get involved in all of the policy development that the department has of any kind of significant effort.

REPORT OF LONG RANGE TRANSPORTATION NEEDS

Senator ANDREWS. Well, let me have you do this, then. You say that this has been in place, and they have been doing great work and wonderful things, and that they have provided the Secretaries with their papers on long-range transportation policy suggestions. I would like you to include the long-range policy suggestion they provided to the Secretary last time around at this point in the record. Then I have a number of other questions on this item. I would also like to let you have time to expand whatever you might want on this issue in the record, because we intend to look into these several requests fairly

closely. We want to make sure that we have as complete and detailed a response from you as we can of the example of this long-range report, long-range analysis of transportation needs that you say has been provided by this think tank to the Secretary.

Mr. DERMAN. Yes. We would be glad to do that, Mr. Chairman.

Senator ANDREWS. Good.

[The information follows:]

POLICY OFFICE FUNCTIONS

Before getting into specifics, addressed below are two major misunderstandings about the work of this office:

--- That the policy office is a long-range "think tank" engaged on work that has little practical connection with the decisions that the Secretary must continually make in the course of carrying out his or her responsibilities.

--- That "policy" is some kind of rarified abstraction that can be developed in isolation from the political and practical realities of the workaday world. Further, that, once "policy" has been established, recommendations for practical situations can be arrived at simply by referring to the "policy" and, by logical deduction, determining the correct course of action.

This second point appears to be grounded in the notion that there is a set of general principles which, if properly understood and interpreted, will offer guidance to anyone wishing to make decisions about Federal transportation programs and policies. In part, this is true. We should work towards a transportation system that is economically efficient, and we must have a proper concern for safety and for the impacts of our actions on the environment. These principles provide, however, only general guidance, and a great deal of work on very specific issues is required to develop feasible recommendations that a Secretary can actually adopt and offer to the Congress and the public with confidence and with understanding of the implications of the decision. It is this kind of work that absorbs the energy and the resources of the policy office.

The policy office is the focal point of the economic, business, financial, environmental, and other expertise that is required for a full understanding of the issues and decisions before the Secretary. This expertise cannot generally be found in other offices in the Office of the Secretary, each of which is devoted to a particular function (i.e., legal, administration, budget). The policy office is the one source to which the Secretary can usually look for analysis and advice that is, at once, expert and free from any commitment or tie to any particular mode of transportation. While the policy office, by reason of its location in OST, is independent of some of the pressures that might flow from a specific modal commitment, it is, in no sense, a "think tank" isolated from the real world in which decisions have to made under sharply conflicting pressures.

Any given issue will have a unique set of questions associated with it, and will require an analytical approach specifically designed to answer that set of questions in the time and with the information available. Nonetheless, it is possible to make some general statements about the kind of work that the policy office does in addressing issues. The analysis may take either or both of two forms. One has to

do with the economic efficiency of various courses of action, that is, with the question of which course of action is likely to lead to the most efficient use of our society's scarce resources. It must also be recognized, however, that the changes that have to be made to accomplish a more efficient use of resources, may have serious side effects. Thus, it is sometimes necessary to analyze the impacts of a particular measure on the various interests affected in terms of income, employment and the like. It may be necessary to understand the financial impacts on firms and industries as well as the financial effects of some decisions on the government itself. Very little of this work is long-range, in the sense that it involves decisions that are to be made in the distant future. Most of the work of the policy office involves decisions that have to be made now or within the next one or two years, at the most. Much of the work does have a long-range aspect in the sense that the future consequences of any action must be analyzed as far into the future as can be done with any confidence in the results.

Not all of the energies of the policy office are spent on the conduct of studies and analyses. The office is frequently expected to provide information or insight on a few hours' or days' notice, so that new analysis is not possible. Because staff members maintain close working relationships with key personnel in the modal Administrations and because of their own knowledge and experience, the policy office can quickly assemble detailed information on almost any topic of interest to the Secretary. In addition, by virtue of its role, the office is the Department's institutional memory on a wide variety of policy issues and the evolution of the Department's positions over time.

Examples of the areas in which the policy office has made major contributions in the past year will serve to illustrate the general points being made here. These areas are:

--- Truck size and weight: The policy office was responsible for the analysis of the economic costs and benefits and other impacts of alternative changes in the size and weight limits. Officials of the office testified before Congress on these changes in hearings leading up to the STAA of 1982.

--- Highway cost allocation: The policy office followed, and closely cooperated with, the Federal Highway Administration's work on highway cost allocation. This participation enabled the office to provide the Secretary with knowledgeable advice during debate on the STAA of 1982.

--- Highway user fee legislation (STAA of 1982): The highway office played a key coordinating role in the development of the legislation which increased the fuel tax and other highway user charges and provided increased funding for highways and mass transit. Both because of recent studies and a long involvement in these issues, the policy staff was able to provide coherent, comprehensive recommendations and analysis of alternatives and a wide variety of supporting information,

analysis and related forms of staff support for the legislative effort.

--- Inland waterway user fees: The policy office carried out an extensive, in-depth, study of the impacts of inland waterway user fees on carriers, shippers and other affected interests. This study was the major piece of analytical support for the Administration's legislative proposals in this area. The office also provided support of a variety of kinds for the Administration's initiative.

--- Deep-draft port user fees: The policy office has been the principal source of staff support to the Secretary on all aspects of this issue, including information, analysis, draft position papers and the like.

--- De-regulation of surface freight transportation: The policy office developed alternative positions for the Secretary's consideration and all the necessary supporting anlaysis and staff work necessary to make possible the submission of new legislative proposals in this Congress.

--- Maritime policy development: The policy office lead and coordinated the effort, involving several elements of the Department and other Federal agencies, to develop new Administration positions, both in the area of maritime regulatory reform and maritime promotional policy.

--- Filings with regulatory bodies: The policy office develops the positions that the Department wishes to take in proceedings at the ICC and other regulatory bodies and prepares the necessary filings. At the ICC, for example, there may be ten or 12 such filings in a year. For example, in recent rulings, the ICC substantially followed the Department's advice on motor carrier classification, box car exemptions and coal export rates. The policy office also gave extensive support to the Rate Making Study Commission with data, studies and recommendations. The Commission substantially adopted the Department's recommendations.

--- Owner-operator truck strike: Because of its close knowledge of the industry, its understanding of the highway user fee legislation and its potential impacts, the policy office was responsible for leading and coordinating the Department's response to the owner-operator shut-down.

This list is far from exhaustive of the policy office's efforts in the past year, but it does give a good idea of the scope and character of its work.

RESTORATION OF TPR&D FUNDING

Mr. DERMAN. I would just make one additional point—this goes back to why, if everything is OK, are we requesting a 48-percent increase. At the time that we were responding to GAO with our views, we were hoping to convince the Appropriations Committees that we need an appropriation of $7.8 million to do what needs to be done in fiscal year 1983 which was itself nearly 30 percent below the 1981 level. We ended up with an appropriation further reduced by an additional 37 percent to $4.9 million. All we are trying to do in 1984 is to achieve restoration to a stable funding level, which we believe should be in the $7.3 million area.

Senator ANDREWS. Of course, you know, we have been thinking that you needed appropriations for this, that, and the other thing, and then about 1 month ago we read in the paper that you kind of generate your own appropriations functions down there, because if I remember correctly, the Secretary appeared and announced an appropriation of some $70 million for this depot in downtown Washington.

Now, if you have that kind of resources, there are an awful lot of money functions that we have had flowing into your department that we have not looked too closely at. Very, very few departments in my experience in the Appropriations Committee can give up a $70 million self-generated appropriation function and announce that here we are going to put it into this depot, Union Station, by your own volition.

You know, that is sort of magic, and that is why we are interested in all these funds that you——

UNION STATION

Mr. DERMAN. Well, I would not want to leave the impression, Mr. Chairman, that that $70 million related to the Union Station was a DOT appropriation that was developed out of whole cloth.

Senator ANDREWS. Oh, no, it came out of Amtrak.

Mr. DERMAN. It came out of Amtrak.

Senator ANDREWS. But that is a bird that we have heard just cannot do a nationwide system for the amount budgeted or the amount done, and all of a sudden there is $70 million floating around that is indeed and in fact available. So this is the kind of magic that intrigues us. In fact, out of Las Vegas, the biggest show in town right now is the magic show put on by a couple of gentlemen. They can make white horses, big lions, leopards disappear. And you can make $70 million appear.

Mr. DERMAN. I would not want to have the TPR&D request of $7.3 million held hostage because Amtrak was able to come up with $70 million.

SUBMITTED QUESTIONS

Senator ANDREWS. We are not going to hold anything hostage. We are just looking down the line to find out where that transportation policy is. We are trying to correlate it with the GAO report. We are trying to take a look at transportation cooperation between modes. We are trying to question why you need a 48-percent increase in the funding that in effect sets the policy for the top people in your department

suddenly, and a host of other questions that the taxpayers want us to ask, and we are sure that you will provide a lot of illuminating data on these subjects for the record in some of the questions that we have. Senator Chiles may also have some additional questions, as may other members of the subcommittee.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

LONG-TERM TRANSPORTATION POLICY

Senator Andrews: In the past year, has the Secretary initiated any long-term policy which requires action by more than one operating administration?

Response: The Department has five major policy principles that are long-term in nature and apply to more than one operating administration. These are as follows:

1. User charge policy: Federal transportation outlays should be financed, whenever possible, through charges levied directly on the user or immediate beneficiary of a Federal transportation service or facility.

2. Federalism policy: Transportation functions that are not national in nature should be returned to state and local government and associated Federal subsidies should be phased out.

3. Private enterprise policy: Reliance on the private sector and on market mechanisms should be increased through the return of transportation functions to private operation and a reduction in regulations.

4. Regulatory policy: Federal regulations should be reviewed and reformed in order to eliminate or modify requirements whose costs exceed their benefits, which are not essential to accomplishing national goals, or which restrict competition in transportation industries.

5. Investment policy: Federal capital investments in transportation facilities should meet sound cost benefit standards.

Senator Andrews: What actions are involved and over what period of time?

Response: The actions range from developing legislation and revising regulations to issuing policy statements that reflect our objectives. While some of the actions are short-term, many will require several years to implement.

The following illustrate some of the actions:

1. User charge policy: The user charges for highways and aviation have been revised to better reflect charges by various users and also have been increased to finance the necessary improvements in these systems. These changes involved a one to two year effort by the Secretary. The Administration has sought increased user charges for inland waterways, ports and the Coast Guard, but Congress has taken no action.

2. Federalism policy: This policy is reflected in the recent Federalism Initiative which was sent to the Congress in February, 1983. It would allow state and local governments to receive transportation block grants for local highway projects. From FY 84 through FY 88, states would have the choice of receiving funds

for these local highway programs through the existing program mechanism or in the form of a block grant.

3. Private enterprise policy: Industry deregulation of trucking, railroads, intercity bus and airlines has been a major, multi-year effort of the Department to encourage greater reliance on private enterprise and market incentives, rather than Federal regulation of industry operations. In addition, in the transit area the recently published paratransit policy reflects this objective.

4. Regulatory policy: This is an ongoing activity directed toward streamlining or eliminating a number of Departmental regulations.

Senator Andrews: Which OST unit provided leadership in developing this policy? It if wasn't the Office of Policy and International Affairs, why not?

Response: The Assistant Secretary for Policy and International Affairs took the lead in developing the policy. However, this often required close cooperation and coordination with the relevant modal administrations. Further, the current Administration believes that the modal administrations should play a key role in developing policies they will ultimately have to implement.

Senator Andrews: Which OST unit is responsible for making sure that policy is carried out?

Response: This is a shared responsibility which may involve the modal administrations, the General Counsel, the Assistant Secretary for Budget and Programs or the Assistant Secretary for Policy and International Affairs, depending upon the policy to be carried out.

Senator Andrews: How does the pressure of addressing immediate issues affect the Department's ability to effectively deal with long-term issues? Is any staff insulated from day-to-day activities to identify and address long-term issues?

Response: The pressure of addressing immediate issues generally has a positive effect on the Department's ability to deal effectively with long-term issues. In fact, involvement in immediate issues provides the perspective to anticipate future issues and to initiate relevant studies.

Examples of long-term analysis include the truck size and weight study, analysis of the auto industry and international aviation policy, economic deregulation of transportation industries, and the examination of inland waterway user charges and elderly and handicapped transportation. Many of these issues more recently constituted the "short-term" work of the Policy office, but they were preceded by extensive research and analysis over a period of several years.

AUDIT FOLLOWUP PROCEDURES

Senator Andrews: DOT Order 8000.1 describes the responsibilities of audit and management officials in establishing procedures for following up on audit report findings and recommendations. The Order states that followup is a continuous process of ensuring that prompt and responsive action is taken on

findings and recommendations contained in audit reports. The Order points out that primary responsibility for action and followup on audit recommendations rests with the responsible management official. The Order also requires management officials to establish a system to ensure that proposed corrective actions have been taken and to assess their effectiveness. Past GAO studies, and a recent DOT OIG secondary followup have indicated that Federal agencies, including DOT, often do not take corrective actions based on audit findings even after agreeing to take such actions. Prior to the latest revision in Circular A-50, who was responsible for monitoring DOT agencies' implementation of corrective actions? If the various agencies were responsible, what role, if any, did the Office of the Secretary play?

Response: Prior to the issuance of OMB Circular A-50 in September, 1982 the Departmental Followup Official was a special assistant to the Secretary. When this individual left the Department in January 1983, the recommendation was made to the Secretary that the Assistant Secretary for Administration be designated as the followup official. He was so designated on March 8, 1983.

Senator Andrews: How did the Office of the Secretary ensure that the agencies were taking corrective actions?

Response: Semiannually, the Deputy Secretary received reports from the Operating Administrations on audit resolution. These reports included: (1) a summary of each recommendation resolved, collections or offsets made, and demands for payments made; (2) a summary of recommendations disputed or unresolved, showing the dollar value questioned and the reasons why the recommendation was unresolved; and (3) actions planned and target dates for completion. In addition, the Secretary relied on the efforts of the Office of Inspector General (OIG) with regard to its secondary followup reviews of selected items and audits of the agencies.

Senator Andrews: In this day and age of budget deficits doesn't the implementation of corrective actions take on added importance? Why wasn't this translated into tougher policies to get agencies to take these actions?

Response: The Department, in recent years, has engaged in a number of programs (Reform 88, Care, and Improved Debt Collection) directed toward reducing costs. All of these actions, including implementing GAO and IG recommendations, are very important in our effort to reduce or eliminate budget deficits. Not all of these recommendations, however, translate into direct dollar savings. We believe that, on the whole, we have made significant progress in these areas.

Senator Andrews: Can you assure the Subcommittee that the followup official in each agency had accurate records on whether corrective actions have been implemented? If not, isn't it true in actual practice that the program official alone has the decision to implement or not implement corrective actions? Isn't this 180 degrees opposite of what the Congress intended in passing the IG legislation?

Response: Since the Office of the Assistant Secretary for Administration has just assumed the responsibility for audit

followup, we cannot absolutely assure the subcommittee that each Administration had accurate records on implementation of corrective actions; however, we have found nothing to indicate that accurate records are not being kept. We are meeting with each Administration to determine if present procedures are working properly, and to what extent, if any, changes will be necessary to assure timely resolution and implementation of audit recommendations.

Senator Andrews: Would you say that DOT management has lived up to the requirements in Order 8000.1? Explain.

Response: Generally, yes. At the end of Fiscal Year 1982 there were no unresolved audit reports containing costs questioned which were over 6 months old. We understand the Inspector General report for the period ending March 31, 1983, will show similar results.

Senator Andrews: On September 29, 1982, OMB Circular A-50 was revised in part to strengthen the procedures for resolution of audit findings and corrective actions on recommendations contained in audit reports. A-50 recognizes that corrective actions taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations. Each agency head is required to designate an audit followup official responsible for assuring that (1) systems of audit followup, resolution, and corrective actions are documented, (2) timely responses are made to all audit reports, (3) disagreements are resolved, (4) corrective actions are actually taken, and (5) semiannual reports are sent to the head of the agency. Has DOT designated an audit followup official as required in A-50? If not, when can we expect such a designation to be made? Why the delay in naming this official?

Response: DOT Order 8000.1, which was issued October 5, 1979, incorporates most of the provisions of Office of Management and Budget Circular A-50. The Department is in compliance with A-50. A Departmental Followup Official was designated by the Secretary in June of 1981 and acted in that capacity until a new followup official was designated on March 8, 1983.

Senator Andrews: Will A-50 give OST a better feel for whether corrective actions are being implemented? Why do you believe this will be better?

Response: Yes, we do believe that A-50 will give us better information on whether corrective actions are being taken. Bringing under one entity the responsibility for GAO and IG followup, should provide the framework for a more uniform and comprehensive approach.

Senator Andrews: Will you require the official and his/her staff to report to OST the status of corrective actions taken as a result of audit findings?

Response: Yes, our procedures will include a provision for this reporting.

Senator Andrews: What do you plan on doing when you find out that corrective actions are not taking place or not taking place on a timely basis?

Response: If we find out that an implementation action is not occuring we will go back to the administration, find out why, find out if there are valid reasons or if there is a change in conditions that indicates there is a valid reason for it not occurring. Then we will sit down with each administration to work out a plan and target dates for making sure that we do accomplish what we have committed ourselves to achieve.

Senator Andrews: What power or authority will the followup official have to increase the number of corrective actions implemented?

Response: The Department's followup official is a senior officer reporting directly to the Secretary. With the interest shown by OMB and Congress, and the power derived from the Secretary, that official will utilize all available resources to ensure that corrective actions are implemented.

Senator Andrews: Will your administrations and OST make a concerted effort to increase the number of corrective actions taken? Outline what steps you plan on taking to accomplish this goal?

Response: The Department has been making, and will continue to make concerted efforts to resolve audit reports and ensure implementation of corrective actions. As previously noted, with the designation on March 8, of the Assistant Secretary for Administration as audit followup official for the Department, we are currently in the process of taking a fresh look at all aspects of our followup policies and procedures. The most salient features will be retained, revised, or improved as necessary. While we are not yet prepared to outline specific steps, we fully expect that a firmer, more aggressive implementation of the existing system will result from this review.

CAB FUNCTIONS

Senator Andrews: The effectiveness of the United States Government in pursuing international objectives will be largely affected by the type of organization and procedures to be established upon the transfer of the functions of the CAB. According to press reports, the Department of Transportation is preparing a legislative proposal to resolve procedural and organizational questions relating to the sunset of the Civil Aeronautics Board which were not considered when Congress passed the Airline Deregulation Act. How will the Department propose to maintain a fair and politically independent position with regard to international aviation matters?

Response: We agree that the organization and procedures that will be established for CAB functions at DOT are very important. We have undertaken extensive efforts to obtain comments from interested parties, such as representatives from the airlines, consumer groups and the international aviation bar. To assist in that effort, we sponsored a two-day seminar in early March and published a Notice in the Federal Register requesting comments on how the Department should administer the CAB's international aviation functions. We are now in the process of developing our conclusions about organization and procedures.

MANAGEMENT IMPROVEMENTS

Senator Andrews: Please detail for the record each of the management improvements which resulted in a total savings of $4,471,000 in the Working Capital Fund.

Response: The reduction of $4,471,000 in the Working Capital Fund was based on anticipated overall lower requirements for services than originally projected and the effect in FY 1983 of actions taken in FY 1982 to reduce costs.

Management improvements resulted in reducing requirements by $3,419,000 and are discussed below.

$ 833,000 Discontinuance of a Second Shift in Printing - The original budget assumed continuance of a second shift in our printing operation. Discontinuance of this shift resulted in a reduced requirement for personnel related costs, and elimination of the need for overtime utilities.

$1,873,000 Space Reductions - Savings result from reducing the headquarters warehouse space by approximately one-half through disposal of obsolete publications and excess property, reducing bulk publications stock and implementing an overall weeding process throughout the warehouse; relocating the photographic facility from the Navy Yard to existing space in the headquarters (Nassif) building; and reducing space allocated for our library to accommodate the Maritime Administration.

$ 614,000 Improved Distribution Operations - This reduction results from improved utilization of in-house mechanical systems and personnel thus reducing reliance on contractor assistance and implementation of procedures to use third class bulk mailing instead of first class whenever possible.

$ 73,000 Commercial Operation of Transportation Computer Center Computers - An A-76 review was accomplished which resulted in the computer operation activity being contracted.

$ 26,000 Other Savings - These savings resulted from consolidation of vehicles into a contralized motor pool thus reducing the number of vehicles; eliminating the need for contract messengers; and a reduction in periodical subscriptions, through a systematic review and revalidation process.

The remaining $1,052,000 reduction is attributable to lower than originally projected requirements by the modal administrations primarily for printing and commercial time-sharing services.

TEN PERCENT REDUCTION

Senator Andrews: Provide specific detail for the record indicating how, if required, you would allocate a ten percent reduction below the budget request for the Office of the Secretary.

Response: At this time it is not possible to fully delineate where the 10% reduction would come from. Obviously, we would have to accommodate whatever the Committee mandated. However, as we see it now, we would probably make the reductions in the following manner. We would have little alternative but to hold the Transportation Planning, Research and Development and the MBRC Contractual Support to the FY 1983 appropriated levels of $4.9 million and $2.6 million respectively. In addition, the 10% reduction would necessitate absorption of about $1.3 million of the other cost increases budgeted in Salaries and Expenses. This would require that there be sufficient delay in filling any vacancies that might occur to achieve an average employment savings equivalent to about 13 to 15 full-time permanent staff (about $600 thousand) below the already-reduced FY 1984 level. A reduction of approximately the same amount would have to be taken in contractual services, eliminating most new initiatives, and the remaining reduction would probably occur in travel.

ECONOMIC POLICY

Senator Andrews: Under TPR&D, regarding "Developing and Implementing Transportation Economic Policy", on page TR-18 of your budget justifications you note that this organization is responsible for examining the impacts of user charges and developing policy on the proper mix and level of charges for various modes of transportation. Are these the people who recommended user fees of $110 per year for each owner of a 16 foot rowboat? What has been the impact of user charges on the level of service within, and the linkages between, the various modes of transportation?

Response: A draft recreational user fee schedule was prepared by the Coast Guard for discussion purposes. Their allocation of costs showed rowboats operating in coastal waters, on the average, imposed a $110 cost on the system. This was due to a heavy use of search and rescue. In contrast, costs allocated to small boat operators on inland waterways were only $4. The Department of Transportation never submitted legislation to Congress incorporating these fees.

Establishing proper user fees for financing federal transportation expenditures is a very complex issue, especially with regard to estimating, beforehand, the effects that will occur in the diversion of traffic between competing transportation modes and among the various services offered within the same mode. In general, if user charges to one mode are too low, this causes a misallocation of traffic to that mode at the expense of less subsidized competitive modes. The type of fee mechanism may also affect the ability of a mode to attract traffic. Other factors which must be evaluated are the degree of competition within a mode, itself, and the ability of a user to pass the transportation charge on.

The Department of Transportation has investigated these issues in several large studies including: The Inland Waterway User Taxes & Charges Study, the Airport & Airways Cost Allocation Study, and the Truck Size and Weight Study.

The Inland Waterway Study showed that rail/waterway diversion is very difficult to predict, but even with full cost recovery the imple-

mentation of inland waterway user charges is not likely to be the dominant, or even a major, influence on the well being of the groups involved. The change in fuel costs during the two years of the study was almost twice as large as the potential user charge. Similarly, changes in the value of the dollar in foreign markets and higher interest rates had more impact upon the inland waterway industry than would the user charges under study.

The Truck Size & Weight Study indicated that, given current relative costs between trucking and railroading, little diversion from rail to truck could be expected from the changes in size and weight limits that were recently passed in the Surface Transportation Act of 1982. The Highway Cost Allocation Study reported that while trucking, as a whole, was paying its fair share of highway costs, there was substantial cross subsidization among the various classes of truck operators. These findings were important in establishing the changes in truck and highway user charges that were recently signed into law.

In these studies, as well as any future efforts on this subject, we, in the Department of Transportation, have attempted to represent this very complex phenomenon in a way that is both consistent with what the best economic reasoning suggests, as well as with the realities of how the various transportation modes interact with their competitors and adjust to existing market conditions.

POLICY PRINCIPLES

Senator Andrews: What are the major policy principles upon which the DOT budget is based?

Response: The budget addresses the following major policy principles of this Administration as they relate to the nation's transportation systems.

- o A high priority on maintaining and upgrading a safe and efficient transportation system.
- o Federal support of national priorities and objectives financed substantially by user fees collected from those who benefit.
- o Reduced Federal role in areas of primary state and local or private enterprise responsibility.

Senator Andrews: Provide for the record an explanation of how each of your proposed major budget changes in the Department are related to those major policy principles.

Response: The Department of Transportation's budget for FY 1984 requests $27 billion of budget authority, of which 69% ($18.7 billion) is financed by user fees paid by those who benefit most from the services provided.

The major budget changes which reflect the major policy principles are addressed in the FY 1984 budget in the following areas.

- o For the Federal Highway Administration and the

Urban Mass Transportation Administration, the budget proposals are based on the significantly increased highway and transit authorizations and user fees enacted in the Surface Transportation Assistance Act of 1982. The budget request provides increased capital funding for rebuilding and maintaining the infrastructure of the Interstate and Primary systems, bridges, and transit systems. Transit operating assistance funds are requested at a reduced level consistent with the Administration's policy of phasing out this program to reduce the Federal presence in local operations and decision-making.

- For the Federal Aviation Administration, the budget provides the higher funding levels required to finance the multi-year program to modernize and improve air traffic control and airway facilities. These higher levels are authorized by and financed from increased user fees enacted in the Tax Equity and Fiscal Responsibility Act of 1982.

REORGANIZATIONS

Senator Andrews: What reorganizations are you contemplating within your immediate office and within the Department in general?

Response: We are in the process of evaluating the Department's organizational structure and resources. To that end, some options have been proposed that would alter our approach to research and development policy formulation and modify the organizational alignment of the surface safety functions. Specifically, one proposal would strengthen the role and staffing of the OST Office of Transportation Research and Technology. The other option would consolidate certain safety functions into a new administration.

We stress that no decisions have been made at this time whether to proceed with these proposals. Any decision to proceed with creation of a new operating administration would be preceded by discussions with appropriate members of Congress.

STRATEGIC PLANNING GROUP

Senator Andrews: During last year's hearings, Secretary Lewis said that a Strategic Planning Group was established to focus on the identification of a Department program structure and organization that can assure successful performance in the coming decade. In addition, the Department established the Secretary's Management Objectives to ensure that policy objectives adopted by the Department's top political leadership are pursued in a timely and effective manner. Since the Strategic Planning Group was established, what recommendations has it made? What action or change has occurred?

Response: The Strategic Planning Group (SPG) made a number of recommendations which were considered by former Secretary Lewis. As it turns out, a number of similar recommendations were being developed by the President's Private Sector Survey Group (PPSS) and Project 88. The SPG recommendations have been subsumed under the PPSS program and will be announced shortly.

Senator Andrews: Has the Group helped the Department develop a coordinated transportation policy? If so, how?

Response: The mission of the SPG was not to develop coordinated transportation policy but to examine the organizational structure and staffing of the Department to see how it could be improved and made more efficient.

Senator Andrews: Has the Group been able to assure better focus on longer-term transportation issues and trends? If so, how?

Response: The Group concentrated on the way in which DOT's organizational structure affects its ablility to treat longer-term transportation issues and trends.

Senator Andrews: Will the Group be continued under the new Secretary? If not, why not and what, if anything, will replace it?

Response: The Group was formed particularly at the direction of former Secretary Lewis and after his departure has become inactive.

Senator Andrews: Has the Management Objectives helped the Department address longer-term policy? If so, how? Is its focus more on immediate problems? Please provide specific examples of long-term policy?

Response: The Management Objectives System laid out the objectives for the entire calendar year and established a series of milestones to ensure those objectives were met. Its focus is not so much to develop longer-term transportation policy as it is to assure that long-range policy decisions already made are being properly implemented. Examples of these long-range policy decisions are: Moving the System Toward a User-Pays Basis; Achieving the President's Regulatory Reform Objectives; Maintaining and Improving Levels of Safety; Enhancement of Minority Opportunities; Rebuilding the Air Traffic Control System; Obtaining New Highway and Mass Transit Legislation; and Developing New Maritime Policy.

LONG-TERM POLICY DEVELOPMENT

Senator Andrews: Does the Department still believe that its approaches to long-term policy development are preferred to the approach GAO recommended in its September 1982 report on policy development and implementation? If so, how and what has been the result?

Response: The organizational and procedural alternatives for dealing with long-term policy development in the Department of Transportation have been repeatedly examined over the years. The responses,

naturally, reflected the varying objectives and management and organizational philosophies of seven Secretaries and eight Assistant Secretaries for Policy and International Affairs that the Department has had since its inception. Many of these approaches have actually been tried and for one reason or another found wanting. When this Administration examined DOT, it too took a fresh look at the existing organization and the function of long-term policy development. The result was a major reorganization of the Office of Policy and International Affairs and the introduction of a goal setting and measurement accomplishment system personally overseen by the Secretary. These changes, we believe, have gone far to meet the objectives envisioned in the GAO's report without having to create a new special organizational entity, insulated from the rest of the organization, whose sole purpose is long-range planning.

REORGANIZATION OF THE POLICY OFFICE

Senator Andrews: How has the reorganization of the Office of Policy and International Affairs helped meet this objective? Was not this office reorganized because of staff reductions?

Response: The principal impetus for the reorganization of the Office of Policy and International Affairs in March 1982 was the belief that the previously existing organizational scheme was far too complicated. The resulting reorganization which eliminated eleven organizational entities and much unnecessary organizational layering has greatly simplified and made more effective the management of the policy development function. There was also a significant staff reduction which coincided with the reorganization, in part made possible by the economies and efficiencies derived from the reorganization and in part impelled by this Administration's desire to make government leaner and less costly.

STRATEGIC PLANNING GROUP
R&D POLICY

Senator Andrews: Do you plan to establish a guide for your research and development programs, laying out policies and priorities? If so, when do you anticipate completing this guide and do you anticipate inviting Congressional review of that guide?

Response: Research and development program policies and priorities are a reflection of the policies and priorities of the Administration's approach toward meeting the needs of our nation's transportation system. As noted in answering an earlier question, these major policy principles are based on maintaining and upgrading a safe and efficient transportation system, reducing the Federal role in the solution of local problems, and financing transportation systems of national priority substantially by user fees paid by those who benefit.

The Department of Transportation's research and development (R&D) program is oriented toward providing the information and new technology needed for the diverse mission oriented programs of the several Operating Administrations. The R&D programs are primarily directed to areas where there is a specific Federal role and the R&D is not more appropriately accomplished by the private sector.

The major criteria for R&D programs development relate to supporting and improving operations, improving effectiveness of Federal grants, providing a basis for sound regulations, supporting policy analysis, and developing and stimulating technological advances and innovation in services and facilities. The diverse missions of the Operating Administrations, and resultant R&D programs, do not lend themselves to a single program development or program prioritization policy. Each Administration develops, and prioritizes, its R&D program consistent with its mission and fiscal constraints.

A simple statement of R&D policy was provided to all DOT elements in June 1981 and has served as general guidance in formulating the R&D programs for the FY 1983 and FY 1984 budget estimates to Congress. A copy of that statement follows.

DOT R&D Policy

The Department's mission includes the development of "policies and programs conducive to safe, efficient and convenient transportation at the lowest cost..."

Research and development programs in the department must be clearly supportive of the DOT mission. Furthermore, R&D activities in the department must be in line with the goals, budget and program priorities and criteria of this administration. Decisions on budgeting for R&D, therefore, must reflect the following

--fiscal restraint, particularly on programs that are "in the national interest but are lower in priority than national defense and safety net programs."

--sound economic criteria, with emphasis on high potential programs, particularly those in the national interest but not likely to be supported by the private sector.

--encouragement of private investment in R&D programs and in the application of innovative technologies.

--continued strong support for basic, "advancement of knowledge" type research, particularly through stimulative policies.

In support of these current policies toward R&D, the following criteria should be utilized to determine the acceptability of R&D programs at DOT:

The R&D

1. directly supports the mission of the department as interpreted by the current administration.

2. clearly supports the specific mission of the modal administration, specifically that mission currently defined as appropriate to that administration.

3. has potential for direct application to the operational activities of the Department or modal administration.

4. is not more appropriately accomplished by private industry, i.e. the Federal government will not perform R&D beneficial to a particular industry.

5. is not duplicative of efforts by the private sector or other agencies.

OVERSEAS TRAVEL

Senator Andrews: Please provide for the record all overseas travel conducted by the Office of the Secretary employees for fiscal year 1982 and 1983 to date, showing where, for what purpose, how

long, and how much each trip cost, including the names of the persons participating in each such trip.

Response: During FY 1982 and the first 6 months of FY 1983, Office of the Secretary employees conducted official overseas travel to 26 countries, the Phillipines, and Hawaii. For FY 1982, 32 employees participated in 62 trips to such countries as Canada, China, England, France, and Japan, for an average of 7 days and $2,000 per trip. Seventeen employees have participated in 27 overseas trips during the first 6 months of FY 1983 for an average of 9 days and $2,200 per trip. Most of the FY 1983 travel has been to Canada, England, and France.

Representative purposes of OST's overseas travel included:

- Meeting with Japan's Minister of Transport, Minister of International Trade and Industry, Minister of Foreign Affairs, and President of Japanese National Railroad on civil aviation, automobile safety, trade relations, and maritime issues.

- Participation in aviation negotiations with governments of Japan and China.

- Participation in multilateral consultations with European Civil Aviation Conference on North Atlantic pricing.

- Participation as member of U.S. delegation in civil aviation negotiations.

- Participation as member of U.S. delegation in discussions with European and Japanese representatives on oceanliner shipping.

- Participation in Experimental Safety Vehicle Conference.

- Participation in motor carrier entry negotiations with Canada.

- Participation as member of U.S. delegation at bilateral shipping talks with China.

- Participation as member of U.S. delegation in consultations with British on airport user charges.

- Participation as member of U.S. delegation to review DOT's international cooperation program and exchange of technical information.

Additional detailed information was provided to the Subcommittee.

EMPLOYMENT

Senator Andrews: Please provide for the record a comparison of the authorized positions and the number of people employed for fiscal years 1981, 1982, 1983, and those projected for 1984. This information should be provided individually for each of the offices of the Assistant Secretaries, the General Counsel, the Working Capital Fund, and the Immediate Office of the Secretary.

Response: Authorized positions and employment for the Office of the Secretary is provided in the following table.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
AUTHORIZED POSITIONS AND EMPLOYMENT
FY 1981-1984

	FY 1981 Actual		FY 1982 Actual		FY 1983 Est.		FY 1984 Est.	
	Auth. Pos.	Empl.	Auth. Pos.	Empl.	Auth. Pos.	Empl.	Auth. Pos.	Empl.
Salaries & Expenses								
General Counsel	63	59	59	53	59	56	59	56
Policy & Intl. Affairs	111	108	101	75	90	86	90	86
Budget and Programs	55	43	47	38	46	44	46	44
Governmental Affairs	44	41	41	36	41	39	41	39
Administration	191	171	169	141	166	158	165	157
Secretarial Offices	143	125	133	108	141	133	139	130
Subtotal	607	547	550	451	543	516	540	512
Transportation Planning, Research, and Development								
Policy & Intl. Affairs	42	33	36	25	29	26	27	26
Working Capital Fund								
Administration	469	433	420	351	464	444	458	436
Reimbursements								
General Counsel	6	6	--	--	--	--	--	--
Policy & Intl. Affairs	28	12	3	2	3	2	2	2
Administration	48	45	43	35	--	--	--	--
Secretarial Offices	19	8	10	8	--	--	--	--
Allocation from OIG	3	3	--	--	--	--	--	--
Subtotal	104	74	56	45	3	2	2	2
GRAND TOTAL OST	1,222	1,087	1,062	872	1,039	988	1,027	976

FULL-TIME EMPLOYMENT

Senator Andrews: Please provide a table comparing the permanent full-time employment ceiling by operating administration (including OST) for fiscal years 1981, 1982, 1983, and projected for 1984. Also, provide a comparison fiscal year 1983 information with the total number of personnel on board as of January 1, 1983.

Response: Permanent full-time employment for the Department of Transportation's operating administrations is provided in the following table.

DEPARTMENT OF TRANSPORTATION
PERMANENT FULL-TIME CIVILIAN EMPLOYMENT

	FY 1981		FY 1982		FY 1983		FY 1984
	Authorized	Actual	Authorized	Actual	Authorized	On-Board 1/1/83	Request
FHWA.....	4,013	3,776	3,454	3,423	3,393	3,365	3,393
NHTSA.....	791	743	640	618	586	612	586
FRA.....	1,349	1,259	1,194	1,189	1,190	1,173	675
UMTA.....	605	547	516	502	506	504	506
FAA.....	53,956	41,259	45,555	44,970	47,353	45,447	47,031
CG.....	5,946	5,481	5,484	5,395	5,751	5,348	5,865
MARAD.....	1,264	1,222	1,113	1,085	1,031	1,082	950
SLSDC.....	186	178	182	175	182	173	182
OIG.....	466	421	419	416	419	416	419
RSPA.....	854	774	709	620	642	611	642
OST.....	1,120	1,087	1,041	872	988	888	976
TOTAL.....	70,550	56,747	60,307	59,265	62,041	59,619	61,225

STANDARD LEVEL USER CHARGES

Senator Andrews: Please provide a report to the Committee on how SLUC charges are assessed by GSA to the Department, and apportioned to the modal administrations. Also provide your rationale for increases in FY 1983 SLUC charges in the budget in view of the continuing resolution provision holding per square foot charges for FY 1983 at the FY 1982 level. Include a historical chart depicting SLUC charges for each modal administration for fiscal years 1981-1984.

Response: GSA assesses charges based on comparable commercial rates, adjusted annually to reflect the current market value of space at each location. Individual rates are established by GSA for each type of space, i.e., office, storage, ADP, parking, lab, clinic, etc. Rental rates for GSA controlled space are established and charged to agencies regardless of whether the space is leased or federally-owned. GSA bills each administration and the Office of the Secretary directly for field space. The Office of the Secretary receives the SLUC bill for the three headquarters buildings. These charges are in turn allocated to each administration and the Office of the Secretary based on actual space occupied including a share of common use space.

The provision in the Continuing Resolution holding SLUC rates to the FY 1982 level was not enacted until December 1982, after budget data had been submitted. Department-wide the SLUC budget for FY 1983 reflects a reduction of $4,011,000 from FY 1982 and for the Office of the Secretary a reduction of $352,000.

Following is a table reflecting SLUC charges for each modal administration for FY 1981-1984 (dollars in thousands):

	1981	1982	1983	1984
FHWA	$ 7,511	$ 9,744	$10,955	$11,612
NHTSA	1,749	2,346	2,490	2,520
FRA	1,767	2,326	2,388	2,388
UMTA	1,324	1,564	1,703	1,800
FAA	18,886	22,789	24,135	26,790
USCG	14,537	25,244	19,107	23,032
MARAD	2,060	2,800	2,495	2,300
SLSDC	51	51	84	88
OIG	1,065	1,211	1,317	1,350
RSPA	547	740	482	482
OST	4,326	7,287	6,935	7,089
TOTAL	$53,823	$76,102	$72,091	$79,451

QUESTION SUBMITTED BY SENATOR CHILES

OFFICE OF THE SECRETARY

Senator Chiles: Mr. Derman's statement noted that the single largest increase was $1.3 million for the Minority Business Resource Center and that the major thrust of the Minority Business Resource Center is to enable minority firms to overcome "the financial barriers to obtaining contracts." This, of course, takes on added importance in view of Section 105(f) of the Surface Transportation Assistance Act.

Exactly what kind of assistance will be provided to help minority firms overcome "financial barriers to obtaining contracts?"

The goals of Section 105(f) of having a 10% minority set aside for highway spending will be difficult to achieve in some of the States.

Are you planning to target your assistance to States and areas where you will have the most likelihood of meeting the goal?

If not, are you aware that the Federal Highway Administration has already told States that it intends to waive the requirement where the goals cannot be met?

Response: The assistance that will be provided to help minority firms overcome financial barriers to obtaining contracts is the surety bonding and short term lending assistance. Also, we are providing technical assistance to assist minority business enterprise (MBE) firms in preparing documentation for submission for bonding and short term lending packages.

We are going to target our assistance to States and areas where we have large concentrations of MBE firms and where States indicate they may have difficulty in meeting MBE goals under the Surface Transportation Assistance Act of 1982, Section 105(f).

It is our understanding that the Federal Highway Administration has told the States that they must initiate the waiver request and the waiver request submitted must be supported by documentation on a State by State basis.

SUBCOMMITTEE RECESS

Senator ANDREWS. The next meeting of the subcommittee is tomorrow morning at 10 o'clock, the same room, where we will hear the St. Lawrence Seaway and the Panama Canal Commission. Thank you very much.

Mr. DERMAN. Thank you very much, Mr. Chairman.

[Whereupon, at 11:58 a.m., Tuesday, March 22, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 23.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 23, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Member present: Senator Mark Andrews.

DEPARTMENT OF TRANSPORTATION

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENTS OF:
WILLIAM H. KENNEDY, ACTING ADMINISTRATOR
DAVID ROBB, DIRECTOR OF ENGINEERING RESEARCH AND PLANNING
ROBERT LEWIS, DIRECTOR OF SYSTEMS ANALYSIS
ROBERT KRAFT, DIRECTOR OF PLANS AND POLICY DEVELOPMENT
EDWARD MARGOSIAN, COMPTROLLER
FREDERICK BUSH, GENERAL COUNSEL

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The committee will come to order.

Our first witnesses this morning are from the St. Lawrence Seaway Development Corporation.

We have a statement from Bill Kennedy, the Acting Administrator. We will be glad, Mr. Administrator, to have your statement in the record. Let me assure you it will be included in the record word for word as though you gave it orally. You can summarize it any way you want in the interest of time.

You may proceed.

INTRODUCTION OF ASSOCIATES

Mr. KENNEDY. Good morning, Mr. Chairman and members of the committee.

I am pleased to be here today to review with you the fiscal year 1984 budget of the St. Lawrence Seaway Development Corporation.

As you know, the term of David W. Oberlin as Seaway Administrator expired at the end of February. No one has yet been named, and I am, therefore, appearing before you today as Acting Administrator.

Appearing with me are Fred Bush, our General Counsel; Mr. Margosian, our Comptroller; Bob Kraft, Director of Plans and Policy Development; Bob Lewis, Director of Systems Analysis; and Dave Robb, Director of Engineering Research and Planning.

With your permission, I will summarize the statement which is being submitted to the committee today.

The $110 million balance on the Seaway Corporation's bonded debt was canceled on December 16 when the U.S. Department of Transportation Fiscal Year 1983 Appropriation Act (Public Law 97-369) was signed into law. For the Seaway Corporation, debt relief strengthens the Corporation's financial condition at a crucial stage in which revenues were lagging severely due to the weak world economy.

Let me take this opportunity to thank the members of the Transportation Subcommittee of both Houses and you, Mr. Chairman, for the provision included in the appropriation bill for the present year which canceled our outstanding bonded indebtedness.

A weak world economy during most of 1982 caused cargo tonnages through the Seaway Montreal-Lake Ontario section to decline to 42.8 million metric tons, the lowest volume since the 1974-75 recession period and a 15.3 percent decrease from 1981.

U.S. grain exports throughout the Seaway in 1982 declined from the previous year due to depressed national export markets, excess capacity on competing transportation systems, minimal Soviet grain purchases from the United States and the high rate of exchange for the U.S. dollar overseas.

Mr. Chairman, on the basis of the toll levels which will take effect when the 1983 navigation season opens March 31, and traffic projections agreed to by the U.S. and Canadian entities in October 1982, the Corporation estimates its revenues for fiscal year 1984 will be $12.5 million.

This forecasted level of revenue is dependent upon general economic recovery in the United States and Canada and assumes increased volumes of iron ore and export grains in particular. A more pessimistic outlook would predict revenues at a lower level, necessitating some program cutbacks.

During the fiscal year, the Corporation proposes to utilize $12.5 million as follows: $9.3 million will be used for operations and maintenance, $1.8 million for administrative expenses, and $1.4 million for replacements and improvements.

Mr. Chairman, there can be little doubt that the St. Lawrence Seaway is a vital transportation artery to the heartland of our country. Its continued safe, effective, and efficient operation is our primary goal.

Although the Seaway Corporation has been facing decreasing traffic since 1981, I believe we can continue to operate the U.S. section of the Seaway system in a prudent, efficient, and business-like manner, and thereby attain this most important goal.

I would be pleased to answer any questions the committee may have at this time.

[The statement follows:]

STATEMENT OF WILLIAM H. KENNEDY

I'm pleased to be here today to review with you the fiscal year 1984 budget of the Saint Lawrence Seaway Development Corporation.

As you know, the term of David W. Oberlin as Seaway Administrator expired at the end of February. No one has yet been named, and I am, therefore, appearing before you today as Acting Administrator.

The $110 million balance on the Seaway Corporation's bonded debt was cancelled on December 18 when the U.S. Department of Transportation Fiscal Year 1983 Appropriation Act (P.L. 97-369) was signed into law. For the Seaway Corporation, debt relief strengthens the Corporation's financial condition at a crucial stage in which revenues were lagging severely due to the weak world economy.

Prior to passage of the bill, the Corporation was required by law to repay the debt from tolls which are negotiated by the Seaway Corporation and a counterpart agency in Canada. In recent years existence of the U.S. Seaway debt repayment requirement (and none on the Canadian side) led to the common misconception that the existing tolls are primarily a U.S. burden on the system, when in fact the Seaway Corporation receives only about 17% of the total system toll revenues, and Canada receives the remaining 83%. This is because the U.S. receives only 29% of the tolls on the Montreal to Lake Ontario section of the Seaway and no tolls from the all-Canadian Welland Canal. A typical laker making a fully loaded round trip transit through both sections of the Seaway will incur $65,000 in tolls. The U.S. receives only about $11,000 and the remainder goes to Canada.

Another benefit of debt elimination to the Seaway Corporation is that previously deferred maintenance work can now be undertaken, and we can initiate replacement programs for aging essential equipment and facilities with funds that otherwise would have been required for bond payments. The use of Seaway tolls for equipment replacement and reinvestment in the Seaway's capital plant has been curtailed in recent years due to the low revenues and the need to use Seaway resources to perform extraordinary maintenance on Eisenhower Lock. Although debt cancellation has certainly strengthened the Corporation's financial position, I would like to emphasize the fact that estimated revenues for fiscal years 1983 and 1984 provide only the minimum funds needed. Maintenance and replacement programs will still be performed on a priority basis dependent upon actual revenues over the next several years. The debt cancellation also places the Seaway Corporation on a comparable financial basis with the Seaway Authority of Canada.

On December 4, 1981, the Corporation announced the agreement for revisions to the Joint Tariff of Tolls, raising charges an average of 18 percent in 1982 and 10 percent in 1983 for commercial vessels and cargoes transitting the entire Seaway between Montreal and Lake Erie. Even though Seaway tolls were increased in 1982, the low volume of traffic resulting from the poor economy resulted in U.S. Seaway revenues in 1982 of approximately $300 thousand lower than 1981 revenues. The toll increases were necessary to meet the rising costs resulting from continued inflation for both Seaway entities and the need for continuing extraordinary maintenance requirements at Eisenhower Lock as well as necessary replacements. The new tariff is reflected in the 1984 budget submission and is not expected to seriously impact on the future growth of Seaway traffic.

The April 5th opening of the 1982 Seaway shipping season on the Montreal-Lake Ontario section was the latest since April 12, 1972 and eleven days later than in 1981. The late opening was due to prolonged winter weather conditions and thick ice prevalent throughout most of the system. Ice breaking support from the U.S. and Canadian Coast Guard was required to prepare for the opening and to assist vessel passages for several weeks following the opening.

A weak world economy during most of 1982 caused cargo tonnages through the Seaway Montreal-Lake Ontario section to decline to 42.8 million metric tons, the lowest volume since the 1974-75 recession period and a 15.3% decrease from 1981. U.S. grain exports throughout the Seaway in 1982 declined from

the previous year due to depressed national export markets, excess capacity on competing transportation systems, minimal Soviet grain purchases from the U.S. and the high rate of exchange for the U.S. dollar overseas. However, record Canadian exports kept the 1982 total of grain shipped via the Seaway (24.2 million metric tons) at nearly the same level recorded in 1981. This was one of the few bright spots in the overall mix of Seaway cargoes. The most serious tonnage decline was in the volume of iron ore, which was 43% below 1981 tonnage as a result of depressed automotive and steel industries.

Revenue constraints have made us curtail our level of participation in development programs, but I believe we still managed to have a highly productive year in 1982. In addition to completion of the Seaway Corporation/ Seaway Authority of Canada Joint Commodity Flow Forecast Study, development activities included continued publication and distribution of publications such as the system brochure and annual traffic statistics furnished to the industry. We continued research on precise navigation systems for the Saint Lawrence River, and participated in the continued progress of the Great Lakes Cargo Marketing Corporation, a non-profit, industry-operated enterprise, formed in 1982 as a result of a Seaway Corporation funded framework study completed in 1981.

Except for one important change, the procedures in effect during the December 1982 closing period were essentially the same as those employed the previous three years. The primary change concerned "wintering vessels," a new designation for all of those ships that entered the Seaway after midnight December 4 and proceeded upbound beyond the western end of the Welland Canal -- the navigation link between Lakes Ontario and Erie. This was a procedure devised to discourage vessels, especially ocean vessels, from entering the system so late in the season that they risked winter entrapment. Essentially it provided that the affected vessels would lose their order of turn in the assignment of down bound transit privileges through the Montreal-Lake Ontario Section to vessels which had preceded them into the system. Like all other commercial vessels, wintering vessels were subject to the operational surcharge schedule for reporting after the December 15 clearance date.

Mr. Chairman, on the basis of the toll levels which will take effect when the 1983 navigation season opens March 31, and traffic projections agreed to by the U.S. and Canadian entities in October of 1982, the Corporation estimates its revenues for Fiscal Year 1984 will be $12.5 million. This forecasted level of revenue is dependent upon general economic recovery in the U.S. and Canada and assumes increased volumes of iron ore and export grains in particular. A more pessimistic outlook would predict revenues at a lower level, necessitating some program cutbacks. During the fiscal year, the Corporation proposes to utilize $12.5 million, $9.3 million will be used for operations and maintenance, $1.8 million for administrative expenses, and $1.4 million for replacements and improvements.

Administrative Expenses (Limitation)

The Administrative Expenses Program (Limitation) reflects an increase from $1.7 million in 1983 to $1.8 million in 1984. This increase represents annualization costs, within grades and increased costs of materials and supplies.

Operation Expenses

The Seaway Corporation's Operations Program consists of lock operations, dredging, aids to navigation, marine services, maintenance, plans and policy development, engineering and other activities related to the maintenance and development of the Saint Lawrence system. To perform these functions our operations program is estimated at $9.3 million for Fiscal Year 1984, an increase from $8.6 million in Fiscal Year 1983.

Replacements and Improvements Estimates

The Seaway Corporation's Replacements and Improvements Program is estimated at $1.4 million in Fiscal Year 1984. This program provides for the cost of replacement of worn out equipment, machinery, and tools. Since much

of the equipment currently used to operate the Seaway was acquired in 1959 when the Seaway opened, emphasis will be on replacing worn out equipment with new improved equipment.

It is important to note that in both 1981 and 1982 actual revenues fell short of estimated revenues, necessitating cuts in the Corporation's Replacements and Improvements Program. Although we are aware of Congressional support for replacing aging equipment, low revenues have prevented the Corporation from making the level of investment in new equipment that is needed. For example, the Corporation has established a reserve account earmarked for replacement of capital equipment and in 1981, $600 thousand was placed in the account. Since that point, the $600 thousand has been obligated, and the reserve account is now empty. As future revenues permit, we will give high priority to rebuilding the reserve account which we consider essential for equipment replacement. This reserve account will, of course, be in addition to our planned expenditures during the fiscal year.

Along with the Saint Lawrence Seaway Authority of Canada, the Corporation will evaluate alternative navigation systems, combining precise all-weather navigation aids with new or conventional aids, and follow-up work to the Corps of Engineers' Saint Lawrence Seaway Additional Locks Study. In addition, an engineering study to design/evaluate the relocation of lock controls is also planned.

Mr. Chairman, there can be little doubt that the Saint Lawrence Seaway Development Corporation is a vital transportation artery to the heartland of our country. Its continued safe, effective and efficient operation is our primary goal. Although the Seaway Corporation has been facing decreasing traffic since 1981, I believe we can continue to operate the U.S. section of the Seaway system in a prudent, efficient and business-like manner, and thereby attain this most important goal.

I would be pleased to answer any questions the Committee may have at this time.

NEW ADMINISTRATOR

Senator ANDREWS. The term of David Oberlin, Seaway Administrator, expired at the end of February. Under what authority are you appearing before the subcommittee as Acting Administrator?

Mr. KENNEDY. This a legal question. I would ask our General Counsel to comment on the first part of this question.

Mr. BUSH. Under the provisions of the Vacancy Act the First Assistant to the Administrator will assume those duties of the Administrator during the period of absence or resignation, unless otherwise directed by the President.

Senator ANDREWS. For how long a time can this Acting Administrator serve?

Mr. BUSH. The act provides that the period of time not exceed 30 days.

Senator ANDREWS. How long, Mr. Acting Administrator, have you been serving?

Mr. KENNEDY. The 30 days will be up next week.

Senator ANDREWS. Next week what happens?

Mr. KENNEDY. I am not privy to the administration's plans to nominate a seaway administrator, but I have been advised of the attributes which Secretary Dole is looking for in a new administrator and I believe she has already advised this to you.

They include a person with practical management skills, transportation knowledge, sensitivity to the role of the Seaway in the area of marine transportation.

Senator ANDREWS. She did that quite well, Mr. Administrator. But the point right now, given the dilatory tactics of the administration, are when your term expires, which is next week, then who gets named Acting Administrator? Someone else?

Mr. BUSH. No.

Senator ANDREWS. Who is going to sign the vouchers? Does that mean we don't need any appropriations because you won't have anybody signing vouchers?

Mr. BUSH. No, sir. Under a delegation of authority to the Associate Administrator he will assume the powers and duties and the authority of the Administrator.

Senator ANDREWS. You just said the Vacancy Act said that can only be done for 30 days.

Mr. BUSH. We will not have an Administrator or Acting Administrator, but the law as presently interpreted allows us to continue to operate under the delegation of authority, and that is what we intend to do, sir.

Senator ANDREWS. I thought maybe we were going to roll downhill and every few days you had somebody so that maybe by default we would have the lock tender as the Acting Administrator signing vouchers and all the rest.

Mr. BUSH. That has already been decided. Once the 30-day period is filled by the First Assistant acting as Administrator there may not be another Acting Administrator for another 30 days.

Senator ANDREWS. So this committee gets together and jointly agrees to sign or not sign the vouchers?

Whose signature goes on the voucher?

Mr. BUSH. At that point the Associate Administrator will be delegated the authority to act. He may redelegate it or he may retain that authority unto himself.

Mr. KENNEDY. I believe there is a reference in the law to previously and properly made delegations. That is the way the organization continues to operate.

Senator ANDREWS. That keeps designating you as the Acting Administrator, the 30-day rule is in the law.

LIMITED AUTHORITY OF ASSOCIATE ADMINISTRATOR

Mr. BUSH. We will not have an Acting Administrator. We will have an Associate Administrator who will have delegated authority to run the Corporation and continue to run the Corporation.

Now, those authorities that have been delegated cannot be changed. In other words, it takes an Administrator to change those delegations. Whatever authorities are delegated, those are the ones that we are going to be limited to. We will have some limitations.

Senator ANDREWS. How will those authorities differ from having an Acting Administrator? There is not any difference at all, is there?

Mr. BUSH. As an example, let us assume we want to make a change in the direction of the Corporation's policy that normally only an Administrator has authority to make. We will not be able to change a policy direction.

It will constrain us to some degree, but it will not close the doors. Of course, that is what we do not want to do. We want to be able to continue to operate.

Senator ANDREWS. Are you privy to any rumors as to why this long delay? Obviously the term of Mr. Oberlin was set for a certain period of time. This is not a sudden resignation as far as Mr. Oberlin. Obviously there is need for an Administrator.

Some of us certainly think that the St. Lawrence Seaway is an important function of our Government. Why haven't they named anybody?

Mr. BUSH. That we are not privy to.

Senator ANDREWS. Don't you fellows have a better grapevine than we have?

Mr. KENNEDY. I am afraid not. All we know is what we read in the paper.

Senator ANDREWS. Sometimes what you read in the paper is strange, too. So far there is nobody in the pipeline and you think you are going to be able to limp along during this shipping season with this hydra-headed, whoever he might be or she might be running your operation?

Mr. BUSH. We are confident we can continue to run the operation and provide the service.

Mr. KENNEDY. I would have to say that the previous Administrator I think created a very good team spirit of those of us who are left behind to carry on. I think under that direction we will be able to manage.

Senator ANDREWS. The next thing you are going to say is they have done such a great job they don't really need an Administrator.

Mr. KENNEDY. I would not want to say that.

Senator ANDREWS. I am sure you would not want to say it. Anyway, you are in business for another week, part of a week anyway.

Mr. KENNEDY. Mr. Kraft would like to add some comments.

Mr. KRAFT. I think one area in which we will miss an Administrator is our relationship with the Canadian Seaway Authority. They have a full complement of people onboard.

They have the President with whom the Administrator usually deals on an equal basis. For us not to have a counterpart will effectively diminish the posture of the Seaway Corporation in both our day-to-day dealings with the Canadians and when more significant things such as toll negotiations come up. In that area I think we will feel the lack of an Administrator.

TOLL NEGOTIATIONS

Senator ANDREWS. When are the toll negotiations scheduled to come up?

Mr. KRAFT. There is no absolute schedule, but the Canadians have indicated that they would like to sit down at the table again sometime during the present shipping season, probably midsummer.

Senator ANDREWS. I understand that there is a toll increase scheduled to go into effect at the beginning of the shipping season?

Mr. KRAFT. That is correct, but the leadtime required for increases that will take effect a year from now is such that the Canadians at least want to begin talking about that possibility.

Senator ANDREWS. But there is one going into effect at the beginning of the shipping season. I understand that Congress and others have asked the GAO to review this toll increase in light of the elimination of the Seaway's bonded indebtedness by Congress.

Is the scheduled toll increase still necessary?

Mr. KENNEDY. Mr. Chairman, both Ed Margosian and Bob Kraft have worked with the people from the General Accounting Office who were asked to present a report to the Congress. I would ask that they comment on what the GAO has looked into.

Mr. MARGOSIAN. The GAO is looking into the procedure we used in negotiations with the Canadians on setting tolls and the Seaway Corporation's requirements for sufficient tolls necessary to cover our needs.

Because of the recent cancellation of the debt, tolls will still be necessary to cover not only the cost of operations, but also any future capital costs such as equipment replacements or system improvements.

Senator ANDREWS. Tolls will be necessary. I am asking about increased tolls?

Mr. MARGOSIAN. The increase is necessary to cover the deferred work. Because of the poor economic conditions in both Canada and the United States, revenue is down and we had to defer many programs. We had to defer maintenance programs and replacements and improvements in the system. This critical work must be accomplished.

This work has been deferred to future years which the toll increase will allow us to accomplish.

Senator ANDREWS. Has the GAO indicated to you what area their report will cover?

Mr. MARGOSIAN. Their report should cover the requirements of the Corporation when it went into negotiations with the Canadians. We have not heard any specifics because they have not discussed it in detail with us.

Senator ANDREWS. You say you need this for maintenance, repairs, capital improvements.

Have you identified the needed capital improvements and the cost?

Mr. MARGOSIAN. Yes.

Senator ANDREWS. Have the needs been prioritized?

Mr. MARGOSIAN. They have.

Senator ANDREWS. Can you provide a list for the record?

Mr. MARGOSIAN. Yes, sir.

[The information follows:]

CAPITAL IMPROVEMENT PROJECTS

The Corporation's need for capital improvement projects is shown below in order of priority. Funds are in thousands of 1982 dollars.

Projects:	*In thousands*
Precise navigation system	[1] $3,550
Snell lock flushing port	1,000
Relocate lock controls	1,050
Purchase new equipment	[1] 500
Environmental studies	[1] 2,300
Warehouse improvements	250
Beauharnois boom demonstration	700
O.P. and Galop boom modifications	[1] 9,300
Jacking system—lock miter gates	500
Ogden Island ice control system	[1] 9,100
Purchase dredge and equipment	725
Lock/VTC improvements	2,500
Ice stabilization below Snell lock	500
Channel improvements	[1] 12,000
Ice control projects	[1] 1,500
Computerize vessel traffic control	2,000
Purchase ACV for icebreaking	500
Total	47,975

[1] Multiyear projects over the next 9 years.

DEFERRED MAINTENANCE

Senator ANDREWS. Have you been deferring maintenance to an excessive degree?

Mr. MARGOSIAN. Yes, we have. In fact, last year we deferred $800,000 worth of maintenance work.

Senator ANDREWS. What has been the impact of this on present operations?

Mr. MARGOSIAN. The impact on present operations is that if we keep deferring the work it is going to become critical and the system will not be able to operate in an efficient and effective manner. It will show up in the next few years.

So, the work must be accomplished. It is critical work and depending on the revenue level we should do this work.

Senator ANDREWS. Based on projected revenue will you be able to adequately maintain your facilities?

Mr. MARGOSIAN. Yes, sir.

Senator ANDREWS. Which includes the toll increase scheduled for the beginning of this shipping season?

Mr. MARGOSIAN. Yes, sir.

Senator ANDREWS. But not necessarily any further tolls?

Mr. MARGOSIAN. The scheduled toll increase is in our budget.

Senator ANDREWS. That is right, but not any further ones you might negotiate with the Canadians?

Mr. MARGOSIAN. We have not taken that into consideration.

Senator ANDREWS. You are telling the subcommittee now that you are doing the maintenance and beginning to move on your long-term prioritized list, given the toll increases that go into effect at the beginning of the shipping season?

Mr. MARGOSIAN. Yes, sir. That is if the tonnage forecasts are as accurate as we expect them to be.

Senator ANDREWS. Oh sure.

Mr. MARGOSIAN. We have had revenue shortfalls in the past 2 or 3 years.

TOLL INCREASES

Senator ANDREWS. Now that the debt has been terminated, do you anticipate that the Corporation is going to propose additional toll increases in the next 5 to 10 years?

Mr. MARGOSIAN. That has not been determined. Bob Kraft can answer that question.

Mr. KRAFT. The thing to remember is that of the seaway tolls that are collected, more than 80 percent accrue to the benefit of the Canadians. They have had no rollback whatsoever in their requirements. Therefore, seaway tolls may go up, in all probability they will have to go up to satisfy the Canadian needs.

What our posture will be is again one of the reasons we need the guidance of an Administrator in a policy position, whether we will want to roll back on the total amount of the tolls that are recovered which accrue to the United States or if we want to keep pace with the Canadians and apply the same relative share of revenues to these projects which Mr. Margosian and Mr. Kennedy have identified.

Senator ANDREWS. Now the Canadians get what percent of the tolls?

Mr. KRAFT. They get 71 percent of the tolls on the Montreal to Lake Ontario section of the Seaway, in other words, the St. Lawrence River, and 100 percent of the tolls connected with the Welland Canal.

Senator ANDREWS. That is because they contributed 100 percent of the cost?

Mr. KRAFT. The Welland Canal is in Canada and of the seven St. Lawrence River locks, five are in Canada.

Senator ANDREWS. They contributed a share of the cost in that proportion?

Mr. KRAFT. Yes, sir. The formula is based on relative cost of operation, but it can be traced back to the capital cost of the facilities.

Senator ANDREWS. But they are applying from their toll revenue the amount to maintain the Welland and the 71 percent share of the facilities?

Mr. KRAFT. Yes, sir.

Senator ANDREWS. So what we are talking about is not the Canadians squirreling away this money that they are getting?

Mr. KRAFT. No.

Senator ANDREWS. They are using it to maintain their facilities just as you are using your share to maintain your 29 percent of the facilities?

Mr. KRAFT. Exactly. In point of fact the shortfall in revenues from projected levels has exacerbated the shortfall situation in Canada. They are not meeting all of the expenses and costs which they had projected they would meet with the revenues at the time the toll levels and upcoming increases were agreed on.

Senator ANDREWS. Their debt has been forgiven as well, I understand.

Mr. KRAFT. Their debt has been forgiven, but they have a requirement imposed by Parliament that they return to the Federal Treasury an amount, an equity payment on their facilities and the facilities have been capitalized in the amount of $625 million.

Their target is 1 percent return on that and they have not met that.

Senator ANDREWS. Are you then telling me while this debt has been technically forgiven, the load on the Seaway has not been forgiven because they are still making payments to retire the capital cost?

Mr. KRAFT. That is one of their objectives. In effect they have not been making those payments because they have not had the money. In the event of a bumper crop in seaway tolls and surplus money in some year, then they would apply some of that toward the return on equity requirement.

Senator ANDREWS. We get less than 30 percent of the tolls because we have less than 30 percent of the facilities, so we have less than 30 percent of the maintenance cost?

Mr. KENNEDY. From the shipper's standpoint, he is generally looking at going from Montreal to Lake Erie to go on up into the upper lakes. From the shipper's standpoint 83 percent of the tolls he is paying to go from Montreal to Lake Erie go to Canada. We only receive 17 percent.

Senator ANDREWS. When they go on to Duluth you get a better crack at them because you get some from the Soo locks?

Mr. KENNEDY. No, we do not. No money is collected at Soo locks. No tolls at all.

Senator ANDREWS. That is a freebee.

Mr. KRAFT. It is a Corps of Engineers facility and there is no charge made.

Mr. KENNEDY. Also relative to any toll increases beyond 1983 we are going into negotiations and we can't let our position be known too fully as we go into that negotiation.

ADMINISTRATION BUILDING

Senator ANDREWS. Last year you indicated that your administration building was 85 percent complete. Have you moved your administrative offices back into that building?

Mr. KENNEDY. Yes. sir, we moved in the rebuilt administration building early in June last year. We had the dedication ceremony on June 25, 1982. We made several improvements in the rebuilt building. We included some——

Senator ANDREWS. Fire alarm systems?

Mr. KENNEDY. Yes, sir.

Senator ANDREWS. That is good. You put fire insurance on it?

Mr. KENNEDY. Yes, we have fire insurance on it.

Senator ANDREWS. It is amazing what a person learns after a while.

Mr. KENNEDY. We have a sprinkler system that was not there before. Our fire alarm system is tied into the local police department.

Senator ANDREWS. Did the Administrator make the decision?

Mr. KENNEDY. I think the Administrator made those decisions.

EISENHOWER LOCK

Senator ANDREWS. What is the current condition of the Eisenhower lock?

Mr. KENNEDY. At the Eisenhower lock we are continuing to spend quite a lot of money every year. We repaired several monoliths this year. We continue to cover and heat the lock every winter. The condition is such that I think we have arrested the principal damage and we are keeping up with what we need to do to maintain the lock in a good sound condition.

Senator ANDREWS. As you replace that inferior concrete the life span of the repairs is going to be considerable, we are not going to be faced with continued problems there, are we?

Mr. KENNEDY. We have been making these repairs for several years. We take core samples every winter. Thus far all the concrete which we have replaced has stood up very well. There is no indication of any further deterioration. It is standing up very well.

Senator ANDREWS. So that the answer to the question that I had in mind was that it wasn't a deficiency in design nor is it some strange soil conditions where the lock is located; it was just, shall we say, a less than adequate amount of cement put into the concrete or an inferior type concrete. So that when we do patch it up it is going to stay?

Mr. KENNEDY. Yes, sir.

Senator ANDREWS. Again as I recall, there is no ability to proceed against the contractor on the quality of the cement, is there?

Mr. KENNEDY. That is correct.

CAPITAL ASSETS

Senator ANDREWS. Can you provide for the record the capital plant assets of the Corporation, their approximate age and service life and when the Corporation expects to be replacing these assets and estimated replacement cost, and list them in order of priority?

Mr. KENNEDY. Yes, sir.

Senator ANDREWS. Then can you provide a brief description of the cost estimate of each of the items mentioned under system improvements, modifications and equipment replacement program so that we have that information?

Mr. KENNEDY. Yes, sir.

[The information follows:]

Capital Assets of St. Lawrence Seaway Corporation

The following list depicts the Corporation's total capital assets. The Corporation expects to replace the following capital assets: lock machinery and equipment, navigation aids and permanent operating equipment.

Capital Asset	Estimated Service Life	Approximate Age	Replacement
Land, rights and relocations	95	24	N/A
Locks and guide walls	100	24	End of service life unless locks are replaced with larger capacity.
Lock machinery and equipment	50	1 to 24	End of service life
Roads and bridges	50	2 to 24	End of service life
Channels and canals	95	24	N/A
Public use facilities	50	24	End of service life
Navigation aids			
Fixed	40	2 to 24	End of service life
Lighted	33	24	End of service life
Unlighted	10	1 to 10	Replace some each year and/or convert to fixed aids
Buildings, Grounds and Utilities	50	1 to 24	End of service life
Permanent Operating Equipment	7 to 40 years	1 to 24	Replace some each year as the need arises

SLSDC Assets Planned for Replacement

The following list identifies the Corporation's specific equipment replacement needs through fiscal year 1992. The replacements would be categorized as lock machinery and equipment, navigation aids or permanent operating equipment. The replacements are in order of priority. Replacements marked with an asterisk require multi-year funding over a nine year period. Funds are estimated in thousands (000) of fiscal year 1982 dollars

Estimated Equipment (Capital Asset) Replacement Costs

Replace Minor Capital Equipment	$1,000.0*
Replace Motor Vehicles/Mobile Equipment	725.0*
Replace Buoy Barge	530.0
Replace Heavy Equipment	370.0*

Replace Locks Electronic Equipment	250.0
Replace Navigation Aids	2,963.0*
Replace Work Launches	600.0
Replace tug ROBINSON BAY	3,000.0
Replace Buoys	1,125.0
Replace Shop Machinery & Equipment	450.0
Replace Cranes	450.0
Replace tug LEWIS CASTLE	350.0
TOTAL	$11,813.0

Fiscal Year 1984 Replacements and Improvements Program

Plant in Service

Replace minor capitalized equipment	$ 75,000
Replace motor vehicles	125,000
Reconstruct two permanent navigation aids	150,000
Replace 50-ton Bucyrus crane	400,000
Replace lock electronic equipment	100,000
Replace ice control devices	50,000
Replace shop machinery and equipment	150,000
	1,050,000
Engineering study - relocate lock controls	50,000
	$1,100,000

System Capacity and Efficiency

Studies related to the development of a precise all-weather navigation system, season extension activities, and follow-up work to the Corps of Engineer's St. Lawrence Seaway Additional Lock Study

	$ 225,000
TOTAL	$1,355,000

REVENUE AND TONNAGE FORECASTS

Senator ANDREWS. Last year you stated due to the economic recession the international shipping was severely depressed for all commodity movements and revenue and tonnage forecasts were revised downward.

How did your traffic forecast compare with the actual movements?

Mr. KENNEDY. We expect little change in 1983.

Senator ANDREWS. What happened to the 1982 forecast?

Mr. KENNEDY. In 1982 we were about 10 million tons or 20 percent below our forecast.

Senator ANDREWS. What was that below the preceding year?

Mr. LEWIS. In 1982, sir, our season really was a continuation of the problems from 1981. Last year the budget figures indicated a high tonnage level of about 52 million tons, low about 48. Our actual tonnage was 42.8. We had to pull our forecast down.

Senator ANDREWS. That is a lot more than 1.2 percent?

Mr. LEWIS Yes, sir. We were down 15 percent in 1982 versus 1981.

Senator ANDREWS. You were down 15 percent as compared to your forecast?

Mr. LEWIS. No. Fifteen percent in terms of 1982 versus the previous year 1981. Our actual forecast levels had to be pulled down as much as 20 percent.

Senator ANDREWS. What forecast did you give us when you appeared last spring?

Mr. LEWIS. I believe it was 52 million as the high.

Senator ANDREWS. You actually had 42 million?

Mr. LEWIS. 42.8.

Senator ANDREWS. What was the low forecast you gave us?

Mr. LEWIS. About 48 at that time.

Senator ANDREWS. You gave us 52 to 48 and you actually got 42?

Mr. LEWIS. Yes, sir.

Senator ANDREWS. You got pretty well splintered up, didn't you?

Mr. LEWIS. Very much so.

Senator ANDREWS. What are you forecasting for next year?

Mr. LEWIS. For 1983 we are being a lot more pessimistic than we have in the past and we are looking for very little change from 1982, about the same level.

Senator ANDREWS. Is that because you actually feel that will happen or you don't want to end up with egg on your face?

Mr. LEWIS. No, sir. There does not appear to be any reason to go higher on iron ore which was our problem last year in 1982. We never expected to have the severe decline that we had which was in excess of 5 million tons.

Senator ANDREWS. Your current projections for 1983 and 1984 are staying at the level of 1982?

Mr. LEWIS. 1983 is about the level of 1982, but we are anticipating an increase for 1984 at this time, sir.

Senator ANDREWS. What size increase?

Mr. LEWIS. About 2 to 4 million tons. This would have to come in the iron ore area primarily.

Senator ANDREWS. Can you detail for the record how much and what types of tonnage passed through the Seaway in 1982 and what the tolls were?

Mr. LEWIS. Yes, sir.

Senator ANDREWS. Can you update the tables that appear on pages 360 to 362 in last year's hearing?

Mr. LEWIS. Yes, sir. We certainly will.

[The information follows:]

1982 Seaway Systems Traffic and Tolls

Major Commodity Groups	Millions of Metric Tons	Tolls in $ per Metric Cargo Ton/Per Vessel GRT Ton — Montreal Lake Ontario	Welland Canal	Total Both Sections
Iron Ore	7.43	$ 0.79	$ 0.31	$ 1.10
Grain	24.25	0.48	0.31	0.79
Coal	1.15	0.79	0.31	1.10
Other Bulk	6.15	0.79	0.31	1.10
General Cargo	3.47	1.91	0.50	2.41
Grand Total	42.81			
Gross Registered Tonnage (GRT)		0.075	0.07	0.145
Vessel Lockage Fee for Eight Locks				
Loaded			1200.00	1200.00
Ballast			600.00	600.00

Seaway Joint Tariff of Tolls

CARGO TOLLS/COMMERCIAL VESSEL CHARGES

Combined Sections (full transit of Montreal-Lake Ontario & Welland Canal Sections)

	PER METRIC TON 1982	1983
Bulk	$ 1.10	$ 1.16
Containers	1.10	1.16
Government Aid Cargoes	.79	.83
Grain	.79	.83
General	2.41	2.56
Vessel charge, per gross registered ton	.145	.15
Vessel lockage charge for 8 Welland Canal locks		
Loaded Vessels	1200.00	2000.00
Ballast Vessels	600.00	1500.00

Montreal-Lake Ontario Section (full transit)

Bulk	.79	.85
Containers	.79	.85
Government Aid Cargoes	.48	.52
Grain	.48	.52
General	1.91	2.06
Vessel charge, per gross registered ton	.075	.08

Welland Canal Section (full transit)

Bulk	.31	.31
Containers	.31	.31
Government Aid Cargoes	.31	.31
Grain	.31	.31

General	.50	.50
Vessel charge, per gross registered ton	.07	.07
Vessel lockage charge for 8 locks		
Loaded Vessels	1200.00	2000.00
Ballast Vessels	600.00	1500.00

NOTE: Charges for transit of the Montreal-Lake Ontario Section are payable 29 percent in U.S. dollars and 71 percent in Canadian dollars. Welland Canal charges are payable entirely in Canadian dollars. For complete tariff and transit rules, write to: Saint Lawrence Seaway Development Corporation, Public Information Office, P.O. Box 520, Massena, New York 13622.

MONTREAL-LAKE ONTARIO SECTION
SELECTED COMMODITIES
(Cargo Tons)

Table 6

Year	Selected Agricultural Commodities				
	Wheat	Barley	Corn	Soybeans	Rye, Oats & Flaxseed
1959	3,150,390	1,038,242	861,333	199,068	994,231
1960	3,496,220	1,068,257	999,585	514,333	820,427
1961	5,915,813	628,431	1,452,938	485,478	628,956
1962	4,448,639	997,449	1,984,651	695,245	1,272,384
1963	6,607,310	1,008,338	2,405,710	604,663	1,025,376
1964	8,336,916	1,105,602	2,917,700	896,797	857,603
1965	7,844,269	1,199,612	3,324,709	1,218,352	1,170,155
1966	10,152,587	1,149,047	3,073,970	1,115,759	1,337,351
1967	3,469,422	1,266,882	1,881,877	817,395	877,013
1968	5,960,839	541,212	2,877,378	1,194,399	638,530
1969	4,441,733	703,158	3,101,470	1,485,061	635,185
1970	7,421,675	3,611,144	2,616,013	2,252,787	878,708
1971	8,537,731	3,437,814	3,071,460	2,635,720	975,713
1972	9,690,093	4,026,974	3,304,533	1,464,748	1,023,180
1973	10,357,508	3,207,928	3,558,697	1,502,585	1,724,966
1974	7,803,650	1,502,449	2,575,077	918,595	873,241
1975	11,262,229	2,231,873	2,907,968	1,157,397	766,651
1976	8,516,586	2,958,210	4,103,095	1,098,869	864,201
1977	11,488,091	2,857,198	3,840,894	1,378,539	822,402
1978	14,050,681	2,533,010	6,454,239	2,201,723	577,779
1979	10,015,187	3,198,940	7,088,033	1,456,072	662,855
1980	13,743,536	2,075,165	6,518,482	1,295,041	1,054,730
1981	11,922,095	2,949,190	5,075,126	1,542,048	836,476
1982	13,881,092	3,204,032	3,752,675	1,047,779	682,713

MONTREAL-LAKE ONTARIO SECTION
SELECTED COMMODITIES
(Cargo Tons)

Table 6 (con't)

Selected Mine and Manufactured Commodities						Percent of Total
Coal & Coke	Iron Ore	Stone, Sand & Gravel	Salt	Fuel Oil	Manufactured Iron & Steel	
						%
1,094,591	5,620,221	11,695	94,393	1,030,688	417,426	59.0
1,008,006	3,914,894	20,597	110,961	1,068,389	734,628	54.8
1,201,340	3,644,391	12,286	126,196	1,001,216	531,991	54.1
1,267,938	5,456,524	10,755	166,030	1,124,869	756,996	58.4
1,089,800	7,401,968	3,476	195,105	1,165,184	874,295	63.9
941,726	11,029,051	7,647	219,304	1,367,898	1,233,107	71.1
1,113,186	11,588,329	15,338	320,126	1,721,317	2,995,840	73.0
1,311,171	14,067,088	17,633	398,094	1,891,905	2,781,194	74.5
1,245,121	14,879,992	17,604	441,992	1,901,558	3,179,539	64.9
1,338,014	16,268,430	36,878	523,097	1,932,069	4,977,778	75.6
912,934	10,568,053	37,213	351,215	2,396,263	4,068,588	66.8
747,115	13,715,305	6,985	420,859	2,919,702	4,031,795	85.6
773,008	12,181,176	41,210	462,775	2,299,114	5,636,261	80.8
784,033	11,370,116	9,834	806,409	2,929,356	5,210,502	80.9
991,312	14,235,151	27,899	819,829	3,432,738	3,958,329	84.7
1,365,728	12,964,996	46,119	811,864	1,813,742	3,270,724	89.3
1,231,411	13,159,321	82,736	779,557	1,770,019	2,236,289	85.2
1,966,384	18,629,321	82,733	752,355	1,360,776	3,026,246	89.9
2,241,973	20,205,283	127,235	783,679	2,015,026	4,972,898	93.5
3,427,038	13,542,178	122,679	746,982	1,887,976	3,588,819	83.8
2,820,401	14,817,154	404,569	833,813	2,326,932	3,107,744	85.4
1,626,942	11,005,222	217,941	782,430	1,563,431	2,084,713	84.9
2,527,798	12,926,853	65,929	1,134,948	1,838,507	2,905,186	86.5
1,834,463	7,430,414	36,264	714,901	1,002,035	2,790,012	85.0

ALL-WEATHER NAVIGATION

Senator ANDREWS. What progress are you making in the area of all-weather navigation?

Mr. KENNEDY. Dave Robb is the man most familiar with that work. I will ask Dave to comment on this.

Mr. ROBB. Mr. Chairman, we are making steady but very slow progress on all-weather navigation primarily because of our budget constraints. We did continue our work with the International Multi-Agency Committee: the two Seaway entities and the two Coast Guards.

We completed a survey of the river from Montreal to Ogdensburg, N.Y., and we continued our survey of available navigation systems. That does continue at a very slow rate.

Senator ANDREWS. What time schedule have you established with the Coast Guard and the Canadians for completing this system?

Mr. ROBB. We do not have a hard schedule for completion of the system, although my personal opinion is that if funding is available, perhaps in 1987 we might——

Senator ANDREWS. What is the hard schedule, 1987?

Mr. ROBB. 1987.

Senator ANDREWS. How much money have you set aside for the planning effort?

Mr. ROBB. For this coming year?

Senator ANDREWS. Yes.

Mr. ROBB. $255,000 is the figure for all of my development activities, which includes the precise navigation effort.

Senator ANDREWS. How much of that is for all-weather naviation?

Mr. ROBB. I would say about $160,000 to $170,000.

Senator ANDREWS. How much do you estimate for system implementation?

Mr. ROBB. Excuse me?

Senator ANDREWS. How much do you estimate you will need for system implementation?

Mr. ROBB. That would have to be a very wild guess, Mr. Chairman, because we have not yet identified these systems, but I would say on the order of $1 or $2 million for our share.

Senator ANDREWS. You are spending $170,000 to find out how you need to spend $1 or $2 million. Isn't that an awful lot of planning money compared to the estimated cost of implementation?

Mr. ROBB. We are talking about U.S. cost, sir. In one sense it is a lot of money.

Senator ANDREWS. Anytime you spend 10 or 15 percent of the cost of doing something for planning it you are getting up into pretty good solid figures.

Mr. ROBB. That is correct. However, we have to look at the anticipated benefits. The anticipated benefits to us could be on the order of $10 million per year and for the trade a similar number over the life of the project.

The benefit-cost ratio of our planning investment is rather high if we come up with a satisfactory solution.

SEASON EXTENSION

Senator ANDREWS. What about the season extension efforts of the Seaway? You said last year due to lack of funds season extensions were severely curtailed.

What is the current status of your season extension?

Mr. ROBB. Because of budget constraints we have been limited to collecting basic hydrometeorological data which we are using as a baseline for our planning effort. We have not initiated any new planning efforts.

Senator ANDREWS. What would you need to be able to get on with the planning for extension of the Seaway season?

Mr. ROBB. The major program which has been deferred to date is a model/design study for handling the ice problem in the Ogden Island reach of the river. In today's prices we are talking about $1½ million approximately, for that.

Senator ANDREWS. Once you have that done you could move ahead with the extension of the Seaway?

Mr. ROBB. We could solve the constraints to extend the season navigation in the international and U.S. portion of the system. The Canadians would still have to make improvements in their section of the river before we could have a significant extension.

Mr. KENNEDY. I think we must keep in mind one other thing, too. When you say move ahead, we still have environmental interests to be concerned with.

Senator ANDREWS. That is true. I would imagine that this model is going to give you some data on what would happen by running the Seaway through some of the ice periods. This is the kind of data you need before you can make a decision to go ahead or not go ahead.

You can't do much until you get the data on the impact on the environment. That extra information will be most important.

SUBMITTED QUESTIONS

I have a series of other questions I will submit for the record. Some members of the subcommittee may have questions for the record.

We appreciate your coming. We hope those people on the other end of the avenue might get together and give you an administrator so that you don't have to run——

Mr. KENNEDY. We are anxiously looking forward to that, Mr. Chairman.

Senator ANDREWS. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

OBLIGATION ESTIMATES

Senator Andrews: In 1982 the Seaway expended only $7.9 million in total obligations as compared to a total obligation estimate of $11.7 million. What were the reasons for the difference between estimated and actual obligations?

Response: Because of the shortfall of revenues, we deferred maintenance and other essential equipment replacements. To offset the revenue shortfall, the Seaway Corporation intensified a vigorous cost-reduction program that included deferral of maintenance, deferral of improvements and replacement programs, reduction of travel and overtime expenses, delay of equipment replacements and the deferral of hiring to fill personnel vacancies. The cost estimate of the reduced schedule of programs totaled $3.8 million.

Senator Andrews: Please provide a brief description and cost estimate of the scheduled work you were unable to complete in 1982.

Response: The following list shows the cutbacks the Corporation made in fiscal year 1982.

Administrative Expenses

Budget	$1,601,000
Actual	1,303,000
Under Budget	$ 298,000

Under Budget

Lapses in filling vacancies	$102,000
Cancel Summer hires	20,000
Consultants	15,000
Refunds GSA-FTS	36,000
Reduction in Telephone & Typewriter rentals	15,000
Purchase word processor in lieu of rental	18,000
Long Range Study	47,000
Travel cuts	30,000
Personnel review and evaluation	15,000
	$298,000

SLSDC FY '82 Budget Execution

Operations

Budget	$8,351,000
Actual	5,628,000
Under Budget	$2,723,000

Under Budget

Delay in filling vacancies	$297,000
Cancel Summer hiring	80,000
Winter Work temporaries not hired	187,000
Deferred Winter Maintenance	598,000
Deferred Routine Maintenance	131,000
Deferred Marine Maintenance	95,000
Replacement of deteriorated security fencing at Eisenhower Lock and other areas	150,000
Dredge Upstream approach, Snell Lock	210,000
Repairs to Vista House	200,000
Deferred Brochure purchases	45,000
Deferred Development projects	200,000
O/T savings	90,000
Reduce costs of building maintenance and groundsteeping because of temporary quarters	80,000
Repair to damaged concrete on bridge and guidewall	115,000
Reduction of routine supplies at Locks	20,000
Reduction of training for coverage on continuous duty jobs	60,000
Cut in guard service at Admin. Bldg.	30,000
Defer Training Program	15,000
Repointing of brich structure and recaulking of joints	75,000
Cut in Travel	20,000
Upgrading seaway treatment plant	25,000
	$2,723,000

SLSDC FY '82 Budget and Actual

Replacements & Improvements

Budget	$1,700,000
Actual	938,000
Under	$ 762,000

Install Air Curtains - Both Locks	$140.0
Women's Sanitary Facilities - Maintenance Bldg.	20.0
Feasibility Study - Lock Controls	50.0
Construct Navigation Aid - Peach Island	90.0
Purchase Videographs	50.0
CCTV - Snell to VTC	20.0
Flushing Port Snell Lock (Phase I)	300.0
Replace Miscellaneous Equipment	92.0
TOTAL	$762.0

Senator Andrews: What are your plans for catching up with the deferred work?

Response: Our plans for catching up with deferred work are to schedule the most critical work within the revenues we have available. Additionally, we are currently examining our long range

financial requirements. When this data is available we will then be in a position to prioritize the implementation of our long range Replacements and Improvements Program as well as our continued Maintenance Program.

COMMODITY FLOW STUDY

Senator Andrews: Last year you told the House that a commodity flow study had been completed in a joint effort with Canada (House page 451). For the record, summarize the finding of that study.

Response: The study covers the next twenty years, through the year 2000 from a base of 1980. In general traffic is expected to grow at about 2% to 2.5% annually compared with past years when growth was about 4% annually. Grain movement is expected to be a major growth commodity. Seaway traffic in total is forecasted at 80 million tons by 2000, with grain traffic at about 43.5 million tons and iron ore at 17 million tons.

Senator Andrews: What influence do the commodity flow projections have in current planning to enlarge locks on the Seaway?

Response: The study findings have been included in the additional locks study along with alternative forecasts developed by the Corps of Engineers.

MARKETING EFFORTS

Senator Andrews: Last year you discussed briefly the potential work that of transforming the Great Lakes Commission into a permanent corporate marketing entity for the Seaway enterprise (House page 462). What activities by the Great Lakes Commission can you report?

Response: The Great Lakes Commission was acting as an interim manager to develop the marketing corporation organization from the point of completion of the study. This very well done effort resulted in formal incorporation of the Great Lakes Cargo Marketing Corporation in late 1982 and hiring of a President following establishment of a board of directors and corporate by-laws. The organization was officially active as of January 1, 1983.

Senator Andrews: The Corporation provided $200,000 in seed money for the initial efforts but you estimated another $250,000 to $500,000 is needed for a minimum effort if work is to continue by that group. How many states and/or ports have shown a concrete interest in funding the Commission's efforts?

Response: The Seaway Corporation provided $200,000 for a framework study to examine, develop and recommend alternative forms of marketing organizations and marketing plan activities. The study suggested $250,000 as a minimum annual budget required to go ahead with the project.

To date, three states, mainly, Illinois, Indiana, and Pennsylvania have committed the $10,000 level of funding. Seven port entities have made commitments ranging from $500 to $10,000.

SEAWAY COMPETITION

Senator Andrews: What figures does the Seaway management have at its disposal for determining price and delivery competition from other shipping modes?

Response: We do not attempt to maintain tariffs or modal pricing for the Seaway or alternative competing shipping routes. If such information is required, we would utilize industry data or assistance from a professional tariff search organization.

In terms of where the Corporation can effectively exert some level of control we have structured the tolls tariff, and minimized toll increases to avoid serious disadvantage to the Seaway route which must carry a tolls burden established by the U.S. and Canada.

Our developmental efforts such as season extension and the marketing corporation project indirectly enable us to work with industry to enhance their ability to compete with alternative routes and modes.

Senator Andrews: What marketing flexibility has management devised in regard to competition from rails and barges?

Response: The problem the Corporation is facing is overcapacity for grain export markets. Pricing on rail and barge is very low, in some cases prices are thought to be below costs. This condition is expected to continue until overall demand rises. When demand rises the Seaway's share of the market will rise.

Questions Submitted by Senator D'Amato

Senator D'Amato: Last year Secretary of Transportation Drew Lewis and the Saint Lawrence Seaway Administrator met with Mr. Frank Augsbury to discuss the future of the St. Lawrence Seaway. At that meeting, the Secretary informed Mr. Augsbury that a study would be initiated by the Seaway and that recommendations would be developed. What is the status of this study? If it has not been completed, what is the timetable for completion?

Response: Actually the study was an assessment of the Seaway's competitive position relative to that of other modes for cargoes which either originate in or are destined for the Great Lakes hinterland. It was undertaken jointly by the Seaway Corporation and the Office of the Assistant Secretary of Transportation for Policy and International Affairs. The purpose of the effort was not to develop formal recommendations, but rather to gain a better understanding of the competitive factors with which the Seaway must contend.

Senator D'Amato: What thought has been given to extending the season of operation of the Seaway? This year we had a very mild winter and it seems that an extended season was possible.

Response: Extension of the navigation season has been a priority development project of the Seaway Corporation for many years. Since 1959 the Seaway entities have extended the navigation season by about 40 days (from 230 days to 270 days per year). Year

to year variations occur as a result of weather and ice conditions and lock maintenance requirements. Very extensive studies and field demonstrations addressed the subject of season extension under the congressionally mandated Great Lakes/St. Lawrence Seaway Navigation Season Extension Demonstration and Feasibility programs, which were completed in 1979. These studies indicated that an additional extension of up to 6 weeks on the St. Lawrence River was feasible, but the feasibility report has not yet been forwarded to Congress by the Corps of Engineers. In the meantime, progress on Corporation efforts to extend the season has been severely constrained by funding and the environmental opposition to season extension raised by New York State and environmental groups.

Senator D'Amato: Has the Seaway given any thought to reducing the tolls in order to give shippers an incentive to use the Seaway? Please explain.

Response: We have negotiated tolls tariff modifications and implemented selected commodity toll reductions to give shippers an incentive to use the Seaway.

For example:

- Tariff rules exempted empty containers from tolls in 1968 and later in 1972 the tare weight (interior package weight of containers) was eliminated from chargeable toll weight.
- Initial proposals for a 100% toll increase for all commodities was delayed from 1977 to 1978 and implemented in phases over the three year period, 1978 thru 1980.
- The 1978 tariff modification established specific bulk grain and government aid cargo toll categories at rate levels below previously charged bulk cargo rates. Container traffic was reduced to the bulk rate level resulting in no increase for container tonnage until 1982.

Seaway toll revenues have not adequately covered the total requirements of the Corporation for several years, necessitating program cutbacks and deferring of maintenance and equipment replacement programs. Any overall reduction in tolls would only intensify the Corporation's problem of meeting its critical expense needs. If U.S. Seaway tolls were reduced such action would only represent about 17% of the system toll burden, the majority of which (83%) accrues to Canada.

Senator D'Amato: In order for the Seaway to receive maximum use, it seems that the Seaway should have some marketing plan. Has the Seaway developed such a plan?

Response: The Seaway Corporation was instrumental in the establishment of the non-profit Great Lakes Cargo Marketing Corporation which was formed in late 1982 and initiated formal existence on January 1, 1983, with appointment of a full time organization president. The concept of an umbrella marketing organization was developed in a series of industry/government port and shipper conferences with the goal of establishing an industry marketing effort with little or no federal government funding. The Seaway Corporation invested $200,000 in a framework project through the Great Lakes Commission which examined and developed organizational alternatives, mission, and a long range marketing plan for alternative levels of funding. The marketing plan which resulted from the contracted study led to establishment of the current organization.

Questions Submitted by Senator Chiles

NEW TOLLS AND TRAFFIC LEVELS

Senator Chiles: Last year the Corporation told the committee (p. 359 Hearing Record) that tolls would be increased per average cargo ton by about 18% in 1982 and by 10% in 1983. Last year we were also told that cargo growth could be constrained by 2 to 3%, compared with growth without toll increases. What has the actual experience been with regard to the impact of increased tolls on traffic?

Response: It is extremely difficult to accurately identify cargo impact from a toll increase. The 2 to 3% constraint reference is a "best guess" cargo loss potential based on impact analysis prior to the implementation of toll increases. Our experience has been that the combination of many other external factors in any one season far outweigh the potential impact of a toll increase. For example, after the Soviet grain embargo was implemented the Seaway lost about 2 million tons of grain.

Senator Chiles: Has the 10% toll increase for 1983 been put into effect yet? If not, when will it be put in place?

Response: The 10% increase for 1983 is effective with the start of the shipping season on March 31, 1983.

Senator Chiles: This toll increase makes only the second increase since 1959. If tolls had been increased every year since 1959 along with the CPI, what would tolls now be? Please provide in tabular form a comparison between current tolls and what tolls would be if they had kept pace with the CPI.

ST. LAWRENCE SEAWAY TOLLS AT SELECTED
ACTUAL AND INDEXED LEVELS
($ per metric cargo ton/per vessel grt ton)

	1959 ACTUAL TOLL	1983 ACTUAL TOLL	1959 TOLL INDEXED TO 1983 LEVEL USING CPI
Montreal Lake Ontario			
Grain	.44	.52	1.50
Other Bulk	.44	.85	1.50
PL 480	.44	.52	1.50
General	.99	2.06	3.37
Container	.99	.85	3.37
Vessel GRT	.044	.08	.15
Welland Canal			
Grain	.022	.31	.07
Other Bulk	.022	.31	.07
PL 480	.022	.31	.07
General	.055	.50	.19
Container	.055	.31	.19

Vessel GRT	.022	.07	.07
Vessel Lockage ($ per lock)			
Loaded	No lockage fee	250.00	—
Ballast	No lockage fee	187.00	--

Total System

Grain	.462	.83	1.57
Other Bulk	.462	1.16	1.57
PL 480	.462	.83	1.57
General	1.045	2.56	3.56
Container	1.045	1.16	3.56
Vessel GRT	.066	.15	.22
Vessel Lockage ($ per lock)			
Loaded	No lockage fee	250.00	--
Ballast	No lockage fee	187.50	--

USE OF BORROWING AUTHORITY

Senator Chiles: While the Corporation is required to limit its expenditures to revenues raised from tolls, it also has the authority to borrow up to $3.2 million. What is the status of the Corporation's borrowings? How much is owed to the Treasury?

Response: The Seaway Corporation was authorized total borrowings of $140 million from the Secretary of the Treasury. Revenue bonds issued to date total $136.8 million. The remaining unused borrowing authority is $3.2 million. The Corporation's bonded debt was cancelled as of December, 1982.

Senator Chiles: Do you expect to borrow during FY 1984?

Response: At this time, we do not expect to borrow during fiscal year 1984.

Senator Chiles: The budget proposal shows a projected net loss of $506,000 for 1984. Will the Corporation borrow to cover this loss or is this merely an accounting entry to show a set aside depreciation?

Response: The net loss of $506 thousand for 1984 includes our nonfunded provision for depreciation accounting for $1.9 million. The Corporation will not borrow to cover this loss since it results from a nonfunded accounting entry.

DEBT FORGIVENESS

Senator Chiles: As the Corporation's debt was forgiven, the annual payments that totalled $2 million in 1982 are no longer necessary. How has the Corporation applied this "windfall?" As tolls are still to be increased and capital investments (p.2) are only going up by $505,000, to what benefit has the debt forgiveness gone?

Response: Unfortunately the severe reduction of traffic and toll revenue over the past few years, well below earlier forecasted levels, has kept the Corporation in an under funded position despite the toll increases and debt elimination. Our overall situation has improved, but the problem has not been eliminated.

Although toll increases and debt termination will provide more revenue than if tolls were static and the bond payment were required, the Corporation's actual income has not met projected total program needs since 1980. In August of 1981, for the purpose of negotiating tolls with the Canadian Seaway Authority, we estimated our toll revenue need as follows: 1981, $11.8 million; 1982, $13.4 million; 1983, $13.6 million; 1984, $14.4 million. The Corporation's actual toll revenues were only $10.07 million for 1981 and $9.76 million for 1982. Even though the debt termination removed $2 million of expenses in 1982, we were still $1.6 million under our projected needs.

The following table is a summary of expenses and revenues that was used during the toll negotiations. Also, for purposes of comparison, a line showing actual/forecasted revenues is included in the table. As indicated by the table, the Corporation has no additional funds to spend.

Summary of Expenses and Revenues from the
Present and Proposed Toll Tariff 1981-1984*

	1981 $	1982 $	1983 $	1984 $
Expenses:				
Operations & Maintenance	8.3	9.9	10.1	10.8
Depreciation	1.9	1.9	1.9	2.0
Subtotal	10.2	11.8	12.0	12.8
Less-Other Revenue	- 0.4	- 0.4	- 0.4	- 0.4
Subtotal	9.8	11.4	11.6	12.4
Bond Payment	+ 2.0	+ 2.0	+ 2.0	+ 2.0
Need from Tolls	11.8	13.4	13.6	14.4
Negotiations Forecast:	10.0	13.10	15.70	16.90
Actual Revenue/Current Forecast:	10.07	9.76	10.17	11.28
Negotiations + or - Current:	+ .07	- 3.34	- 5.53	- 5.62

*Calendar Year

1981 and 1982 revenues are actual.
1983 and 1984 revenues are estimates.

PANAMA CANAL COMMISSION

STATEMENTS OF:

WILLIAM R. GIANELLI, ASSISTANT SECRETARY OF THE ARMY FOR CIVIL WORKS AND CHAIRMAN OF THE BOARD, PANAMA CANAL COMMISSION

DENNIS P. McAULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION

ACCOMPANIED BY:

MICHAEL RHODE, JR., SECRETARY

WALTER D. BJORSETH, CHIEF FINANCIAL OFFICER

MYRON A. SCHROEDER, CHIEF FINANCIAL PLANNING DIVISION

ROBERT J. BOATWRIGHT, CHIEF, BUDGET BRANCH

BARBARA A. FULLER, ASSISTANT TO THE SECRETARY FOR COMMISSION AFFAIRS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. Our next group of witnesses are representatives of the Panama Canal Commission.

Bill, it is good to have you back again and nice to see you, Mr. Administrator.

As I mentioned earlier to the group from the St. Lawrence Seaway, we will include your testimony in the record as though it were given in total. You may proceed to summarize it in any way you wish so that you can get back to that wonderful city down in Panama. Not you, Bill.

Mr. GIANELLI. That is right, Mr. Chairman, I have to stay in Washington with you.

Senator ANDREWS. That is right. In fact, I have a project to throw at you. We have a project, a good friend called me from Pembina County in North Dakota. The corps for some reason or other 7 or 8 months ago refigured the cost-benefit ratio by going back to 1904. Now, I have always felt that cost-benefit ratios ought to be figured on contemporaneous figures unless you are trying to sabotage or load your deck or what not.

Could you drop me a note or ask somebody to stop by and tell me why the corps decided to go back to 1904 to get crop damage from flooding?

You know, crops were worth a lot less in a lot different environment back in that period around the First World War than they are now. I think if you are planning a flood control project and you are looking for the cost-benefit ratio, you have established a cost-benefit ratio from 1940, up to the present time, that data should stand and you should not go back fishing and wishing.

Mr. GIANELLI. There is something haywire about that. I would like to check that out.

What is the name of the project?

Senator ANDREWS. Pembiler. It is a project in proximity to Canada. It has been kicking around for a long time.

Mr. GIANELLI. It is a flood control project?

Senator ANDREWS. Yes. It has been going on for a long time. They refigured the benefit-cost data on a new base period and all I have heard is that this is the way the corps has been mandated to do it. I don't know of any such mandate and I don't think you know of any such mandate.

Mr. GIANELLI. No, sir. We will check it out.

Senator ANDREWS. I figured I would get at you and this hearing appeared to be a good one. You are over in the Defense Subcommittee, too. We have a number of ways of getting you coming and going.

Mr. GIANELLI. Mr. Chairman, with your permission, we both have brief summaries and we will give those. As you indicated, we can have our full statement for the record. We will appreciate that.

Senator ANDREWS. Very good.

INTRODUCTION

Mr. GIANELLI. Mr. Chairman, members of the subcommittee, I am William R. Gianelli, Assistant Secretary of the Army for Civil Works and Chairman of the Board, Panama Canal Commission.

I am pleased to appear before you today to request appropriations for the fiscal year 1984 budget programs of the Panama Commission, the agency responsible for the operation of the Panama Canal.

Seated beside me is Dennis P. McAuliffe, the Administrator of the Commission, and next to him Bob Boatwright who is Chief of the Budget Branch of the Panama Canal Commission.

Mr. Chairman, I wanted to affirm that the administration has approved the budget submission of the Commission and that it is in accord with the program of the President. We believe that enactment of this budget request will allow the canal to continue to be operated efficiently and that it will effectively serve world commerce.

OVERVIEW OF OPERATION

Last year—the third year of operation of the Commission was a successful one; however, the opening of the Trans-Panama oil pipeline coupled with the effect of the recession on the economic condition of the maritime industry is beginning to have an adverse impact on canal traffic and tolls revenue.

Oceangoing transits through the first 5 months of fiscal year 1983 were 6.8 percent below budget contributing to a $4 million shortfall in tolls revenue. We have taken appropriate action to reduce operating expenses, wherever possible, to accommodate this reduced revenue and continue to operate the canal in an efficient and safe manner at no cost to the U.S. taxpayer.

Another necessary action to offset the reduced revenue is the 9.8-percent toll rate increase which was implemented on March 12. This increase was originally scheduled for implementation on October 1, 1982;

however, we were able to defer it until now through various cost reduction measures. We anticipate that this increase will essentially assure a break-even operation through fiscal year 1984.

APPROPRIATION REQUEST

We are requesting an appropriation for fiscal year 1984 of $453.8 million. Mr. McAuliffe will address this request in more detail, but I wanted to point out that the funds are to be appropriated from the general fund of the Treasury rather than the special fund.

NEW FUNDING METHOD

The new funding method is proposed to resolve the cash flow problem that exists for the Commission and allow repayment to the general fund of the Treasury the remainder of funds advanced for the Commission's operation in fiscal year 1980.

Under the Panama Canal Commission fund procedure established by the treaty implementing legislation, the U.S. Treasury would not issue warrants unless sufficient funds were on deposit in the Panama Canal Commission fund. The $85.6 million unreimbursed balance was therefore needed to insure sufficient operating capital for the first few weeks of each fiscal year until sufficient revenues could be earned and credited to this fund.

The language changes, which propose elimination of the Panama Canal Commission fund and the requirement that all Commission revenues be deposited into the general fund of the Treasury, will solve the cash flow problem of the Commission, but will not alter the underlying principle that the canal operate at no cost to the U.S. taxpayers.

In addition, this responds to the desire of the Congress to repay the remainder owed on the fiscal year 1980 funds. The Commission will continue to set toll rates to recover all the costs of operating and maintaining the canal, and appropriations will be limited to the level of estimated and actual resources.

The Commission's success in balancing its receipt deposits and expenditures from appropriations can readily be ascertained from U.S. Treasury financial reports.

PREPARED STATEMENT

Mr. Chairman, that is a brief summary of my prepared remarks and with your approval I would like to suggest that Mr. McAuliffe be allowed to present his statement and then we both will be available for questions, as will our staff.

Senator ANDREWS. Thank you, Mr. Gianelli. We have your prepared statement and it will be inserted in the record.

[The statement follows:]

STATEMENT OF WILLIAM R. GIANELLI

INTRODUCTION

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM WILLIAM R. GIANELLI, ASSISTANT SECRETARY OF THE ARMY FOR CIVIL WORKS AND CHAIRMAN OF THE BOARD, PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO REQUEST APPROPRIATIONS FOR THE FISCAL YEAR 1984 BUDGET PROGRAMS OF THE PANAMA COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL. SEATED BESIDE ME IS DENNIS P. MCAULIFFE, THE ADMINISTRATOR OF THE COMMISSION.

MR. CHAIRMAN, I WANTED TO AFFIRM THAT THE ADMINISTRATION HAS APPROVED THE BUDGET SUBMISSION OF THE COMMISSION AND THAT IT IS IN ACCORD WITH THE PROGRAM OF THE PRESIDENT. WE BELIEVE THAT ENACTMENT OF THIS BUDGET REQUEST WILL ALLOW THE CANAL TO CONTINUE TO BE OPERATED EFFICIENTLY AND THAT IT WILL EFFECTIVELY SERVE WORLD COMMERCE.

LAST YEAR-- THE THIRD YEAR OF OPERATION OF THE COMMISSION WAS A SUCCESSFUL ONE; HOWEVER, THE OPENING OF THE TRANS-PANAMA OIL PIPELINE COUPLED WITH THE EFFECT OF THE RECESSION ON THE ECONOMIC CONDITION OF THE MARITIME INDUSTRY IS BEGINNING TO HAVE AN ADVERSE IMPACT ON CANAL TRAFFIC AND TOLLS REVENUE. OCEANGOING TRANSITS THROUGH THE FIRST FIVE MONTHS OF FISCAL YEAR 1983 WERE 6.8 PERCENT BELOW BUDGET CONTRIBUTING TO A $4.0 MILLION SHORTFALL IN TOLLS REVENUE. WE HAVE TAKEN APPROPRIATE ACTION TO REDUCE OPERATING EXPENSES, WHEREVER POSSIBLE, TO ACCOMMODATE THIS REDUCED REVENUE AND CONTINUE TO OPERATE THE CANAL IN AN EFFICIENT AND SAFE MANNER AT NO COST TO THE U.S. TAXPAYER.

ANOTHER NECESSARY ACTION TO OFFSET THE REDUCED REVENUE IS THE 9.8 PERCENT TOLL RATE INCREASE WHICH WAS IMPLEMENTED ON MARCH 12. THIS INCREASE WAS ORIGINALLY SCHEDULED FOR

IMPLEMENTATION ON OCTOBER 1, 1982; HOWEVER, WE WERE ABLE TO DEFER IT UNTIL NOW THROUGH VARIOUS COST REDUCTION MEASURES. WE ANTICIPATE THAT THIS INCREASE WILL ESSENTIALLY ASSURE A BREAK-EVEN OPERATION THROUGH FY 1984.

APPROPRIATION REQUEST

WE ARE REQUESTING AN APPROPRIATION FOR FISCAL YEAR 1984 of $453.8 MILLION. MR. MCAULIFFE WILL ADDRESS THIS REQUEST IN MORE DETAIL BUT I WANTED TO POINT OUT THAT THE FUNDS ARE TO BE APPROPRIATED FROM THE GENERAL FUND OF THE TREASURY RATHER THAN THE SPECIAL FUND. THIS NEW FUNDING METHOD IS PROPOSED TO RESOLVE THE CASH FLOW PROBLEM THAT EXISTS FOR THE COMMISSION AND ALLOW REPAYMENT TO THE GENERAL FUND OF THE TREASURY THE REMAINDER OF FUNDS ADVANCED FOR THE COMMISSION'S OPERATION IN FISCAL YEAR 1980. UNDER THE PANAMA CANAL COMMISSION FUND PROCEDURE ESTABLISHED BY THE TREATY IMPLEMENTING LEGISLATION, THE U.S. TREASURY WOULD NOT ISSUE WARRANTS UNLESS SUFFICIENT FUNDS WERE ON DEPOSIT IN THE PANAMA CANAL COMMISSION FUND. THE $85.6 MILLION UNREIMBURSED BALANCE WAS THEREFORE NEEDED TO ENSURE SUFFICIENT OPERATING CAPITAL FOR THE FIRST FEW WEEKS OF EACH FISCAL YEAR UNTIL SUFFICIENT REVENUES COULD BE EARNED AND CREDITED TO THIS FUND.

THE LANGUAGE CHANGES, WHICH PROPOSE ELIMINATION OF THE PANAL CANAL COMMISSION FUND AND THE REQUIREMENT THAT ALL COMMISSION REVENUES BE DEPOSITED INTO THE GENERAL FUND OF THE TREASURY, WILL SOLVE THE CASH FLOW PROBLEM OF THE COMMISSION BUT WILL NOT ALTER THE UNDERLYING PRINCIPLE THAT THE CANAL OPERATE AT NO COST TO THE U.S. TAXPAYERS. IN ADDITION, THIS RESPONDS TO THE DESIRE OF THE CONGRESS TO REPAY THE REMAINDER OWED ON THE FY 1980 FUNDS. THE COMMISSION WILL CONTINUE TO SET TOLL RATES TO RECOVER ALL THE COSTS OF OPERATING AND

MAINTAINING THE CANAL, AND APPROPRIATIONS WILL BE LIMITED TO THE LEVEL OF ESTIMATED AND ACTUAL RESOURCES. THE COMMISSION'S SUCCESS IN BALANCING ITS RECEIPT DEPOSITS AND EXPENDITURES FROM APPROPRIATIONS CAN READILY BE ASCERTAINED FROM U.S. TREASURY FINANCIAL REPORTS.

BOARD ACTIVITIES

IN RELATION TO THE ACTIVITIES OF THE BOARD, THE COMMISSION HAD ITS FIRST MEETING WITH THE TWO NEW U.S. MEMBERS AND THE FOUR NEW PANAMANIAN MEMBERS IN JANUARY. THIS MEETING WAS A REFRESHING CHANGE FROM PAST MEETINGS. THE NEW MEMBERS TOOK AN ACTIVE PART IN BOARD DELIBERATIONS AND PRESENTED A CONCERNED, BUSINESS-LIKE INTEREST IN THE OPERATION OF THE CANAL. I AM OPTIMISTIC THAT THE BOARD WILL BE ABLE TO WORK TOGETHER IN A COOPERATIVE SPIRIT FOR THE BENEFIT OF THE PANAMA CANAL AND INTERNATIONAL SHIPPING. OUR NEXT MEETING WILL BE HERE IN WASHINGTON IN APRIL AND I HOPE THAT THERE WILL BE TIME FOR A MEETING BETWEEN THIS COMMITTEE AND THE BOARD. IT IS MY BELIEF THAT THE COMMISSION'S RELATIONSHIP WITH THE GOVERNMENT OF PANAMA HAS IMPROVED SINCE THE NEW ADMINISTRATION IN PANAMA TOOK OFFICE LATE LAST SUMMER. WHILE PROGRESS IN RESOLVING CERTAIN ISSUES HAS SOMETIMES BEEN SLOW, MANY ISSUES ARE NOW BEING RESOLVED AND AN OVERALL SPIRIT OF COOPERATION HAS INDICATED PROGRESS TOWARD RESOLUTION OF THOSE MATTERS OF CONCERN.

REVISIONS IN PAY SYSTEM

THE BOARD, AT ITS LAST MEETING, TOOK ACTION TO MAKE ADJUSTMENTS TO THE PAY SYSTEM APPLICABLE TO EMPLOYEES HIRED AFTER OCTOBER 1979. THESE REVISIONS INCLUDE: GRANTING TO POST-TREATY EMPLOYEES AN OVERALL PAY INCREASE EQUIVALENT TO THAT RECEIVED BY OTHER EMPLOYEES OF THE COMMISSION; INCREASING TO U.S. WAGE BASE RATES THE PAY RATES FOR CERTAIN EMPLOYEES IN SKILLED, TECHNICAL AND PROFESSIONAL OCCUPATIONS; AND

ESTABLISHING INCREASED RATE RANGES FOR SELECTED LOWER GRADE OCCUPATIONS REQUIRING SKILLS HIGH IN DEMAND IN THE REPUBLIC OF PANAMA. THESE CHANGES ARE EXPECTED TO IMPROVE THE COMPETITIVE POSITION OF THE COMMISSION IN THE LOCAL LABOR MARKET AT THOSE LEVELS WHERE SOME RECRUITMENT DIFFICULTY WAS BEING EXPERIENCED, HELP ATTRACT AND RETAIN QUALIFIED PERSONNEL, AND PROVIDE INCENTIVES FOR INCREASED PRODUCTIVITY.

RESERVATION SYSTEM

THE BOARD ALSO TOOK ACTION TO IMPLEMENT ON A PERMANENT BASIS A TRANSIT RESERVATION BOOKING SYSTEM AS A FURTHER SERVICE TO OUR CUSTOMERS. AS THE COMMITTEE IS AWARE, THE COMMISSION HAS TWICE TESTED A RESERVATION BOOKING SYSTEM, ONE WITH A FEE AND ONE WITHOUT. WE DO NOT ANTICIPATE ANY GREAT USE OF THE SYSTEM DURING THIS FISCAL YEAR DUE TO REDUCED TRAFFIC AT THE CANAL. IT WILL BECOME EFFECTIVE IN EARLY APRIL FOR VESSELS TO USE AS THEY DESIRE THEREAFTER.

IN CLOSING, MR. CHAIRMAN, EVEN THOUGH DAILY THROUGHPUT IS BELOW THE ACTUAL CAPACITY OF THE CANAL, THE REQUESTED CAPITAL INVESTMENT IS ESSENTIAL TO CONTINUE OUR PROGRAM OF UPGRADING AND MODERNIZATION BEGUN THREE YEARS AGO. THE CANAL HAS A GREAT DEAL OF OLD EQUIPMENT IN NEED OF REPLACEMENT. ECONOMIC FORECASTS INDICATE A CONTINUING INCREASE IN TRAFFIC THROUGHOUT THE PERIOD OF OUR RESPONSIBILITY TO OPERATE THE CANAL. WITH YOUR HELP, WE PROPOSE TO CONTINUE THIS HIGHLY SUCCESSFUL PROGRAM.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I RECOMMEND THAT MR. MCAULIFFE PRESENT HIS STATEMENT AND WE BOTH WILL BE AVAILABLE FOR QUESTIONS.

THANK YOU, MR. CHAIRMAN.

STATEMENT OF MR. MCAULIFFE

Senator ANDREWS. Mr. Administrator, you may proceed.

Mr. MCAULIFFE. Mr. Chairman, members of the subcommittee, I am Dennis P. McAuliffe, Administrator of the Panama Canal Commission.

I am pleased to appear before you today to request appropriation for the fiscal year 1984 budget programs of the Panama Canal Commission, the agency responsible for the operation of the Panama Canal.

FISCAL YEAR 1982 FINANCIAL RESULTS

The financial operating results for 1982 reflect an unaudited net operating margin of about $1.3 million. Offset by the prior year's unearned cost of $0.9 million, it is likely that a contingency payment to Panama of about $0.4 million will be made pending audit by the General Accounting Office and approval of the supplemental appropriation request by the Congress.

OUTLOOK FOR 1983-84

Through 3 years of existence the Panama Canal Commission has operated, maintained, and improved the canal without cost to the U.S. taxpayer. As Mr. Gianelli indicated, 1983 will be a year of reduced traffic levels. Fiscal year 1984 should begin a gradual recovery of canal traffic with some growth expected in many canal trades.

Grain shipments, one of our strongest trades, are expected to continue as an important segment of canal traffic and coal movements should experience marginal increases as the recessionary trends subside. In spite of some expected recovery, the high level of traffic experienced in 1982 will not be attained again in 1984, nor possibly in 1985.

APPROPRIATION REQUEST

The appropriation request for the Panama Canal Commission in fiscal year 1984 totals $453.8 million. This includes $424.4 million for operational requirements during the year and $29.4 million for capital equipment and construction to remain available until expended.

The appropriation required for operating expenses in fiscal year 1984 is $424.4 million. The major cost components of this include $213 million for personnel compensation, $75.6 million for treaty payments to Panama, and $70.3 million for supplies and materials.

The Commission's capital program reflects $29.4 million in budget authority for 1984 directed primarily to transit-related improvements. Of the total capital program, $21.7 million are dedicated to transit projects. These projects are designed to augment programs already begun to assure the continued safe, efficient operation of the waterway.

CONCLUSION

In conclusion, the Panama Canal Commission is committed to providing reliable, efficient service to world shipping. Operationally, the Commission is a commercial enterprise which provides service to world shipping in an ever-increasing competitive environment.

Coupled with the treaty requirements and status as a U.S. Government appropriated fund agency, we must continually strive to balance our program expenditures with revenues received, while at the same time providing efficient transit service at costs competitive with the alternatives to the canal.

The operating and capital programs proposed for fiscal year 1984 will enable us to continue to accomplish this. Detailed descriptions of the operating and capital programs for the Commission for fiscal year 1984 are included in the justification booklet previously furnished to the committee.

PREPARED STATEMENT

Mr. Chairman, that concludes my summary remarks, I shall be pleased to join Mr. Gianelli in answering any questions you may have.

Senator ANDREWS. Thank you, Mr. McAuliffe. Your prepared statement will be inserted in the record.

[The statement follows:]

STATEMENT OF DENNIS P. MCAULIFFE

INTRODUCTION

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM DENNIS P. MC AULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO REQUEST APPROPRIATION FOR THE FISCAL YEAR 1984 BUDGET PROGRAMS OF THE PANAMA CANAL COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL.

FY 1982 FINANCIAL RESULTS

THE FINANCIAL OPERATING RESULTS FOR 1982 REFLECT AN UNAUDITED NET OPERATING MARGIN OF ABOUT $1.3 MILLION. OFFSET BY THE PRIOR YEAR'S UNEARNED COST OF $0.9 MILLION, IT IS LIKELY THAT A CONTINGENCY PAYMENT TO PANAMA OF ABOUT $0.4 MILLION WILL BE MADE PENDING AUDIT BY THE GENERAL ACCOUNTING OFFICE AND APPROVAL OF THE SUPPLEMENTAL APPROPRIATION REQUEST BY THE CONGRESS.

A TOTAL OF $81.2 MILLION IN TREATY-RELATED PAYMENTS WERE MADE TO THE REPUBLIC OF PANAMA IN FISCAL YEAR 1982. THESE INCLUDED A FIXED ANNUITY PAYMENT OF $10.0 MILLION, A PUBLIC SERVICES REIMBURSEMENT OF $10.0 MILLION, AND A NET TONNAGE PAYMENT OF $61.2 MILLION. THE LATTER PAYMENT IS CALCULATED ON THIRTY CENTS PER PANAMA CANAL NET TON TRANSITED, OR APPROXIMATELY 19 PERCENT OF OVERALL TOLLS REVENUE, AND REPRESENTS PANAMA'S SHARE OF THE CANAL OPERATION.

THROUGH ITS THREE YEARS OF EXISTENCE, THE PANAMA CANAL COMMISSION HAS OPERATED, MAINTAINED AND IMPROVED THE CANAL WITHOUT COST TO THE U.S. TAXPAYER.

FISCAL YEAR 1983 AND FUTURE OPERATING OUTLOOK

AS MR. GIANELLI INDICATED IN HIS STATEMENT, THE OPENING OF THE TRANS-PANAMA OIL PIPELINE COUPLED WITH THE CURRENTLY DEPRESSSED ECONOMIC CONDITION IN THE MARITIME INDUSTRY ARE

BEGINNING TO ADVERSELY AFFECT CANAL TRAFFIC AND TOLLS REVENUE. DESPITE LAST YEAR'S SUCCESSFUL RECORD, OCEANGOING TRANSITS DURING THE FIRST FIVE MONTHS OF FISCAL YEAR 1983 WERE 6.8 PERCENT BELOW ANTICIPATED LEVELS. THIS DECLINE IN THE NUMBER OF TRANSITS WAS PARTIALLY OFFSET BY SOME INCREASE IN AVERAGE SHIP SIZE. THE TOTAL TOLLS REVENUE COLLECTED, HOWEVER, WAS $4.0 MILLION SHORT OF THE BUDGETED AMOUNT. WE HAVE TAKEN APPROPRIATE MANAGEMENT ACTIONS TO REDUCE OPERATING EXPENSES, IN ORDER TO BALANCE EXPENDITURES AND REVENUES WITHOUT IMPAIRING THE OPERATION OF THE WATERWAY.

FISCAL YEAR 1984 SHOULD BEGIN A GRADUAL RECOVERY IN CANAL TRAFFIC WITH SOME GROWTH EXPECTED IN MANY CANAL TRADES. GRAIN SHIPMENTS, ONE OF OUR STRONGEST TRADES, ARE EXPECTED TO CONTINUE AS AN IMPORTANT SEGMENT OF CANAL TRAFFIC AND COAL MOVEMENTS SHOULD EXPERIENCE MARGINAL INCREASES AS THE RECESSIONARY TRENDS SUBSIDE. THE ANS OIL TRADE IS EXPECTED TO REMAIN RELATIVELY STATIC, AVERAGING APPROXIMATELY 100 THOUSAND BARRELS PER DAY. IN SPITE OF SOME EXPECTED RECOVERY, THE HIGH LEVEL OF TRAFFIC EXPERIENCED IN 1982 WILL NOT BE ATTAINED AGAIN IN 1984, NOR POSSIBLY IN 1985.

PROGRESS ON MAJOR CANAL MAINTENANCE AND IMPROVEMENT PROJECTS

TO REMAIN A VIABLE TRANSPORTATION ALTERNATIVE, THE CANAL MUST CONTINUE TO PROVIDE EFFICIENT TRANSIT SERVICE AT A COST THAT IS COMPETITIVE WITH THE COST OF OTHER ALTERNATIVES. THIS ENTAILS IMPROVING SERVICE TO MEET ANTICIPATED TRAFFIC LEVELS, MODERNIZING PLANT, AND IMPROVING CANAL CAPACITY, WHILE AT THE SAME TIME MAINTAINING A COMPETITIVE COST POSTURE.

THE PROGRESS ON MAJOR CANAL MAINTENANCE AND IMPROVEMENT PROJECTS IN THE PAST YEAR HAS CONTRIBUTED TO IMPROVEMENTS IN MARINE SAFETY, THE CANAL'S OPERATIONAL EFFICIENCY, AND THE

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CAPABILITY TO TRANSIT INCREASING NUMBERS OF LARGE BEAM, OCEANGOING VESSELS. THESE PROJECTS HAVE INCLUDED REPLACING AND MODERNIZING EQUIPMENT, AS WELL AS INTRODUCING NEW TECHNOLOGY.

THE CAPITAL FUNDING APPROVED BY THIS COMMITTEE FOR THE INSTALLATION OF HIGH MAST LIGHTING AT GATUN LOCKS, FOR EXAMPLE, ENHANCES THE SAFETY OF LOCKAGES IN THE HOURS OF DARKNESS AND CONTRIBUTES TO INCREASED OPERATIONAL EFFICIENCY. THE ACQUISITION OF TEN NEW TOWING LOCOMOTIVES, A NEW TUGBOAT, AND PNEUMATIC FENDERING UNITS FOR THE LOCK WINGWALLS HAVE ALSO INCREASED THE SAFETY AND EFFICIENCY OF VESSEL LOCKAGES. OTHER APPROVED PROJECTS, CONTRIBUTING TO IMPROVED SAFETY AND EFFICIENCY INCLUDE THE MAMEI CURVE WIDENING PROJECT; CONSTRUCTION OF A TIE-UP OR MOORING STATION NEAR PEDRO MIGUEL LOCKS; CONSTRUCTION OF A SIGNAL STATION ON THE ATLANTIC ENTRY TO THE CANAL; COMPLETION OF THE DREDGE MINDI REPOWERING PROJECT; THE ON-GOING TOW TRACK MAINTENANCE PROJECT AT ALL THE LOCKS; AND THE PURCHASE OF TWO MODERN DUMP SCOWS.

APPROPRIATION REQUEST

AS INDICATED BY MR. GIANELLI, THE APPROPRIATION REQUEST FOR THE PANAMA CANAL COMMISSION IN FISCAL YEAR 1984 TOTALS $453.8 MILLION. THIS INCLUDES $424.4 MILLION FOR OPERATIONAL REQUIREMENTS DURING THE YEAR AND $29.4 MILLION FOR CAPITAL EQUIPMENT AND CONSTRUCTION TO REMAIN AVAILABLE UNTIL EXPENDED.

OPERATING EXPENSES

THE APPROPRIATION REQUIRED FOR OPERATING EXPENSES IN FISCAL YEAR 1984 IS $424.4 MILLION. THE MAJOR COST COMPONENTS OF THIS TOTAL INCLUDE $213.0 MILLION FOR PERSONNEL COMPENSATION, $75.6 MILLION FOR TREATY PAYMENTS TO PANAMA, AND $70.3 MILLION FOR SUPPLIES AND MATERIALS.

THE APPROPRIATION REQUESTED FOR 1984 REPRESENTS AN INCREASE OF $19.4 MILLION OVER THE AMOUNT APPROPRIATED FOR OPERATIONS IN 1983. MOST OF THIS INCREASE REFLECTS THE EFFECTS OF COST ESCALATIONS ON OUR OPERATING COSTS.

TWO PROJECTS OF PARTICULAR INTEREST ARE A COMPUTER MODEL STUDY OF WIDENING THE GAILLARD CUT AND, SECONDLY, OVERHAUL OF THE HEAVY-LIFT CRANE, HERCULES. THE CUT WIDENING STUDY IS AN APPROXIMATE $2.0 MILLION PROJECT BEING INITIATED THIS FISCAL YEAR AND COMPLETED BY 1985. THE OBJECTIVE OF THIS STUDY IS TO IDENTIFY THE AMOUNT OF CUT WIDENING AND CHANNEL DEEPENING REQUIRED TO ALLOW UNINTERRUPTED TWO-WAY TRAFFIC IN GAILLARD CUT, AS WELL AS THE PACIFIC ENTRANCE TO THE CANAL. THIS STUDY WILL BE ACCOMPLISHED THROUGH THE USE OF COMPUTER-SIMULATED HYDRAULIC AND NAVIGATIONAL MODEL TESTING. ARRANGEMENTS FOR ACCOMPLISHMENT OF THIS STUDY ARE BEING MADE WITH THE COMPUTER AIDED OPERATIONS RESEARCH FACILITY (CAORF) AT THE NATIONAL MARITIME RESEARCH CENTER IN KINGS POINT, NEW YORK.

THE CRANE, HERCULES, IS SCHEDULED FOR MAJOR HULL REPAIRS IN 1984. THESE REPAIRS, BUDGETED FOR APPROXIMATELY $3.8 MILLION, ARE NECESSARY TO ENSURE THAT THIS ESSENTIAL OPERATIONAL EQUIPMENT CONTINUES IN SERVICE. THE CRANE, HERCULES, IS AN INTEGRAL PART OF THE CANAL SUPPORT SYSTEM USED IN LIFTING LOCK MITER GATES DURING LOCK OVERHAULS AND FOR MOVING OTHER PIECES OF HEAVY EQUIPMENT IN THE WATERWAY.

THE $75.6 MILLION FOR TREATY PAYMENTS TO PANAMA ARE COMPRISED OF A $10.0 MILLION FIXED ANNUITY PAYMENT, A $10.0 MILLION REIMBURSEMENT FOR PUBLIC SERVICES THAT PANAMA IS TO PERFORM, AND A $55.6 MILLION TONNAGE PAYMENT CALCULATED ON THE PANAMA CANAL NET TONS TRANSITED.

CAPITAL PROGRAM

THE COMMISSION'S CAPITAL PROGRAM REFLECTS $29.4 MILLION IN BUDGET AUTHORITY FOR 1984 DIRECTED PRIMARILY TO TRANSIT RELATED IMPROVEMENTS. OF THE TOTAL CAPITAL PROGRAM, $21.7 MILLION ARE

DEDICATED TO TRANSIT PROJECTS. THESE PROJECTS ARE DESIGNED TO AUGMENT PROGRAMS ALREADY BEGUN TO ENSURE THE CONTINUED SAFE, EFFICIENT OPERATION OF THE WATERWAY.

SIGNIFICANT PROJECTS IN THE 1984 PROGRAM INCLUDE REPLACEMENT OF A TUGBOAT ($5.4 MILLION); REPLACEMENT OF A DUMP SCOW ($2.2 MILLION); REPLACEMENT OF A DREDGE TENDER ($1.7 MILLION); REPLACEMENT OF LAUNCHES AND LAUNCH ENGINES ($1.5 MILLION); AND MISCELLANEOUS IMPROVEMENTS TO TRANSIT FACILITIES ($3.4 MILLION).

CONCLUSION

IN CONCLUSION, THE PANAMA CANAL COMMISSION IS COMMITTED TO PROVIDING RELIABLE, EFFICIENT SERVICE TO WORLD SHIPPING. OPERATIONALLY, THE COMMISSION IS A COMMERCIAL ENTERPRISE WHICH PROVIDES SERVICE TO WORLD SHIPPING IN AN EVER-INCREASING COMPETITIVE ENVIRONMENT. COUPLED WITH THE TREATY REQUIREMENTS AND STATUS AS A U.S. GOVERNMENT APPROPRIATED FUND AGENCY, WE MUST CONTINUALLY STRIVE TO BALANCE OUR PROGRAM EXPENDITURES WITH REVENUES RECEIVED, WHILE AT THE SAME TIME PROVIDING EFFICIENT TRANSIT SERVICE AT COSTS COMPETITIVE WITH OTHER ALTERNATIVES TO THE CANAL. THE OPERATING AND CAPITAL PROGRAMS PROPOSED FOR FISCAL YEAR 1984 WILL ENABLE US TO CONTINUE TO ACCOMPLISH THIS. DETAILED DESCRIPTIONS OF THE OPERATING AND CAPITAL PROGRAMS FOR THE COMMISSION FOR FISCAL YEAR 1984 ARE INCLUDED IN THE JUSTIFICATION BOOKLET PREVIOUSLY FURNISHED TO THE COMMITTEE.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I SHALL BE PLEASED TO JOIN MR. GIANELLI IN ANSWERING ANY QUESTIONS THAT YOU OR OTHER MEMBERS OF THE COMMITTEE MAY HAVE.

FUNDING PROBLEMS

Senator ANDREWS. You are requesting appropriation language that will provide on October 1, 1983, the receipt account of the Panama Canal Commission fund be terminated and the Commission operate from the general fund of the Treasury as other appropriated fund agencies.

What are the Commission's basic objections to having an appropriations come from the Panama Canal Commission fund and why are you proposing to terminate it?

Mr. GIANELLI. I think the basic problem is presented primarily by the Congress that desires that the Commission return to the Treasury some $85 million. This $85 million was a part of the appropriations advanced in 1980 so that the Commission could operate in that year.

The problem arises from the strict interpretation that the Department of the Treasury makes on our Panama Canal Commission fund. We are not able to use any money until we actually have it credited to our account.

So the problem is that if we are going to return the money to the Treasury, and I think it is desirable to refund this $85 million, we have to have some other arrangement under the interpretation of the Treasury to have funds on hand to take care of our obligations at the beginning of each year. We have this funding problem for about 60 days or so.

Senator ANDREWS. You mentioned in your statement the cash flow problem you had at the beginning of this year. You feel that appropriations coming from the general fund of the Treasury would alleviate that problem?

Mr. GIANELLI. That is our understanding. We understand under the normal appropriation process once Congress has appropriated that money it would be available for use, we would not have to demonstrate the resources were in our accounts.

FUNDING SAFEGUARDS

Senator ANDREWS. If there is this change in the manner of funding for the Panama Canal Commission, what safeguards are there in order to insure that no U.S. taxpayers' money will be used to finance the operation of the canal?

Mr. GIANELLI. The general provision of the law is that we have to charge enough to cover the cost of the operation of the Panama Canal Commission.

Senator ANDREWS. That is right. We have seen the Commission and other groups from time to time before this subcommittee and other subcommittees that are supposed to run on that basis.

Mr. GIANELLI. That is right.

Senator ANDREWS. Somehow or other they don't quite make it. By changing the account policy you tend to nudge yourself into the opportunity land, shall we say, where that could happen down there, too, not, of course, with the outstanding Administrator that you now have or with you, Mr. Secretary, but let us say down the line there are other

people there, things might happen that move us in the direction that the Congress was assured wouldn't happen.

So, what safeguards do you have that the taxpayers may be assured that this is not going to happen?

Mr. GIANELLI. I think there are adequate safeguards in the system which would prevent it from happening, Mr. Chairman. The U.S. Treasury prepares actual performance reports on a regular basis so that we can determine where we are at any one point in time.

If it looks like we are getting in trouble at any particular point in time, certainly we would have to take some austere measures to cut down expenditures for the remainder of the year. Once having found out that we are having problems, we would have an opportunity if we couldn't economize by virtue of our existing operations, to propose a toll increase to balance the budget.

So, hopefully we wouldn't be in a bad position for any long period of time. It seems to me with the reports that we get periodically from the Treasury Department and our own reports we can keep track of where we are at any point in time. If we are unable to reduce expenditures when it looks like we are getting in trouble in terms of revenue shortfall or if we have a continuing problem, we are going to have to face the matter of additional tolls.

I guess those would be the primary safeguards we have in the system.

BALANCE OF COMMISSION FUNDS

Senator ANDREWS. What is the estimate of Commission funds that will be deposited in the general fund after repayment of this $85 million?

Mr. GIANELLI. My recollection is that the total balance at the end of 1983 is somewhere around $143 or $144 million. I think what you are probably leading to is what is left after the $85 million? If you take the $85 million and pay that back, there still is going to be a balance of some $58 million which would be carried over. It is my understanding that that difference, $58 million, whatever it turns out to be——

Senator ANDREWS. Is that sufficient to take care of the cash flow needs?

Mr. GIANELLI. It is required for other purposes and perhaps we might have Mr. McAuliffe or perhaps Mr. Boatwright speak to that, but there are other demands on that amount of money.

Mr. MCAULIFFE. That difference represents interest on the U.S. investment in the canal, the reserves maintained for vessel damages, other receipts deposited in the Panama Commission fund such as those collections of outstanding accounts receivable from the Republic of Panama.

Senator ANDREWS. Can you detail for the record some of the alternatives you have explored prior to arriving at your recommendations of fund determination?

Mr. GIANELLI. We will be pleased to do that.

[The information follows:]

ALTERNATIVES TO CURRENT METHOD OF FINANCING PANAMA CANAL COMMISSION

I. Change to corporate form.—Have the Panama Canal Commission converted to a corporate agency. This alternative was rejected due to the potential for unfavorable acceptance by the U.S. Congress.

II. Borrowing fund authority.—Have the Panama Canal Commission use a borrowing authority to backstop obligation until adequate receipts are received.

III. Change in appropriation language.—Have Commission appropriations come from general fund of the Treasury with repayments from the Panama Canal Commission funds as receipts accrue.

IV. Change in appropriation language.—Have Commission obligate funds in advance of adequate receipts. This alternative was rejected because Treasury officials indicated they could not warrant funds in advance of receipts.

V. Continue present system for using a portion of the 1980 General Fund appropriations. Dismissed because it would not meet objective of paying back remainder of 1980 General Fund appropriation.

VI. Modify Treasury warranting procedures.—Have entire or substantial amount of appropriations warranted at beginning of year or have Treasury provide for daily crediting of accounts based on Commission deposits. Rejected due to Treasury reluctance or inability to warrant in advance of having adequate receipts in Panama Canal Commission fund.

TRANSIT BOOKING SYSTEM

Senator ANDREWS. What are your reasons for the transit reservation booking system that we understand will take effect in a few weeks?

Mr. MCAULIFFE. The transit booking system is provided first and foremost as a service to canal users. Many of these users rely on very precise transit times through the canal as they schedule precise dates of arrival and departure from various ports.

This service would assist those kinds of users in maintaining these tight time schedules. The intent of the booking system is to provide a service, not necessarily to augment our revenues. Nevertheless, we are planning to charge a fee of 23 cents per Panama Canal gross ton for the use of this service.

BOOKING SYSTEM FEE

Senator ANDREWS. What is the basis for that fee? How did you arrive at that fee?

Mr. MCAULIFFE. The purpose of the fee is to give us control over the use of the transit booking system. We determined through a test of the system, during a heavily congested period, that a high number of canal users literally congested our advanced booking system when there was no fee in an effort to try to gain some advantage for their ships.

In order to maintain control and also to show those nonusers of the system that the users of the booking system are paying something, we felt that this fee was necessary.

Senator ANDREWS. The fee is in addition to the toll?

Mr. MCAULIFFE. That is correct.

Senator ANDREWS. What percent of the toll does it represent?

Mr. MCAULIFFE. It is based on the different characteristics of the ship. The toll is based on the Panama Canal net tons. The booking fee is based on the gross tonnage of the ship, itself. It is very difficult to show an exact correlation.

Senator ANDREWS. Does it represent 5 percent of the cost?

Mr. MCAULIFFE. Something of that order.

Mr. GIANELLI. Mr. Chairman, we expect the booking system only to be used in the times of traffic congestion. For example, in this coming year we doubt very much whether the booking system will be used at all because our traffic is down.

Senator ANDREWS. That is what I was going to ask. Doesn't the decline in traffic diminish the need for the booking system?

Mr. GIANELLI. It does. We feel, however, it ought to be in place because if we have some sort of period of downtime and there is a congestion for a short period of time, it gives us a system in place that we can use.

In addition, we think that in due course the traffic in the system will build up again so that at certain times we may have congestion.

Senator ANDREWS. What has been the reaction of your customers, the shipping industry?

Mr. GIANELLI. Originally, it started out pretty negative. But, after the trial period I detected a much higher degree of support for the booking system. So I would say that we have had very little objection to the proposal which we have now put into place.

Mr. MCAULIFFE. I fully support that statement, Mr. Chairman, and would add that we have gone to extremes to consider and incorporate into the system many suggestions of the users to make it useful for all concerned.

LOSS OF ALASKA OIL TRANSITS

Senator ANDREWS. I understand that they recently completed this pipeline across Panama and it is now transporting Alaskan oil. Prior to completion, of course, the pipeline oil transit of the canal made a substantial contribution to canal revenues?

When you say traffic is down, is that because of the loss of this oil transit or what is the impact of the pipeline on Commission revenues in dollars per year and percent of total revenues?

Mr. MCAULIFFE. The traffic is down this year, 1983, for two reasons.

The first is the diversion of Alaskan oil through the trans-Panama pipeline.

The second is a general decline in traffic related to the recession in the maritime industry. We estimate that we will suffer losses in revenues this year on the order of $40 million to $50 million in terms of revenues that we acquired from the transit of Alaskan oil last year. That represents about 13 percent of our revenue base.

STRATEGY FOR RECOVERING TOLLS LOSS

Senator ANDREWS. What strategy do you have for recovering from the effect of this pipeline?

Mr. MCAULIFFE. Two-fold, Mr. Chairman. The first is the toll increase which went into effect on March 12. I would like to point out that the toll increase is less than 10 percent.

I mentioned to you that we are looking at losses on the order of 13 percent or possibly larger this year and we have absorbed the difference through cost-reduction measures that we have had in effect in our operation since late last year.

There is the other part of our strategy and that is to curb our costs, our expenditures, as much as possible this year and indeed for next year as well, carefully looking at this to insure that we will not adversely impact on the operation of the waterway, itself.

CAPITAL PROGRAM

Senator ANDREWS. Why are you pushing ahead with capital projects to expand canal capacity when you talk about the traffic losses that are occurring?

Obviously there are some because of this pipeline and some because of the economic conditions.

What kind of projections do you have to justify these capital projects in light of the alternate method of transiting that oil?

Mr. GIANELLI. Let me first comment, and Mr. McAuliffe may want to add to it, we think the traffic will be down for a very limited period of time, Mr. Chairman. We don't think it is a long-term effect on the canal. We expect the revenues to be down certainly in 1983 and perhaps in 1984, but hopefully shortly after that the traffic will again pick up.

What we are talking about in the way of capital improvements is doing those things to improve the efficiency of the canal in the expectation that certainly at some time in the future, not too distant, canal traffic will pick up.

In addition, there are certain other things that should be done just from the standpont of making certain that the canal continues to operate with its present capacity. For example, this year we are having difficulty with respect to its being a very dry year. We are having to limit the draft of the vessels that traverse the canal.

In our capital improvement area we are trying to spend money for those things which we think are necessary, again looking toward the long haul and certainly toward maintaining the capacity.

IMPACT OF RECESSION

Senator ANDREWS. As I understand it, Mr. Secretary, as a result of the 1974 recession the impact of worldwide economic conditions was delayed by approximately 18 months in regard to canal operation.

Do you anticipate a similar impact and resulting decline in transits and revenues as a result of the recent worldwide recession?

Are you going to pick up as fast as you have indicated, you know, given the experience of a decade ago?

Mr. MCAULIFFE. We believe that we are experiencing that downturn right now. We have been following the financial troubles in the maritime industry for several years. It has been bad for at least 2 years in that industry and yet our impact is showing up this particular year.

So, I think that 18 months to 2 years is very accurate in terms of impact upon ourselves.

Senator ANDREWS. You have weighed that delay factor in your consideration in formulating your budget request for fiscal year 1984?

Mr. MCAULIFFE. That is correct. We see this year as a bottoming out of the traffic with a gradual turn up next year, that is to say, 1984, and the years succeeding. These estimates are borne out by our various contacts within the shipping industry and with consultants on this question.

To elaborate on the answer given by Mr. Gianelli with respect to our capital program, for the first 3 years of our existence as a Panama Canal Commission we emphasized very heavily in our capital investment the need to increase our capacity. That is to say, increase our ability to move ships through the canal, because we were faced, particularly in 1980 and 1981, with some very severe conditions of congestion which damaged our credibility with the maritime industry. We are shifting emphasis in the proposed capital program to replacing obsolete equipment of which there is a multitude within our organization.

Now we feel it is necessary to maintain this level of expenditure. We think we can afford it and we think that it would be more costly if we were to continue to defer replacement of some of these items in subsequent years when costs could be much higher and where we might have to accelerate certain procurement.

RAINFALL EXPERIENCE

Senator ANDREWS. On another subject, what has been the effect of the lower than normal rainfall on canal operations and canal revenues?

Fifteen years ago when I was down there the amount of water that comes from the sky let you generate electricity and do a host of other things.

Mr. MCAULIFFE. This has been our first year in our 3-plus years of existence when we have suffered a drought. The dry season began approximately 1 month earlier than normal and it began before we were able to fill up to the optimal levels of our reserve lakes, Gatun and Madden.

The result of this has been first and foremost our having to generate considerably more electric power from fossil fuel sources rather than hydro sources and this has added to our cost base.

Second, it has been regrettably necessary for us to put restrictions on the draft of ships using the canal. At the present time we have a draft restriction down at 38 feet. We normally permit ships of 39½-foot draft to transit the canal. We gradually had to reduce that and we are down to 38 feet and we expect, in a couple of more weeks, to reduce it further in 6-inch increments.

This is a regrettable step because we know that it does have an adverse impact upon the users of the canal in terms of their loading up ships to their optimum capacity. Nevertheless, it is a necessity in light of the lack of water.

We are hopeful that a couple of years from now when we have finished a gradual dredging project that we have been working on now for a number of years on and off, which would be to level off the bottom surface of Gaillard Cut, so as in effect to provide us with more depth of water, that we would be able at least to delay the start of any draft restrictions in future years of drought.

Senator ANDREWS. Have you thought of doing any work with weather modification, hiring any rainmakers, get airplanes and cloud-seeding apparatus and that stuff?

Mr. MCAULIFFE. That has been considered in the past. We have not seriously looked at that at the present time. We did in the past, and I believe this was back around the 1976–77 period when another drought year occurred. However, there were severe environmental objections to such a practice voiced in Panama.

Frankly, we haven't had the cloud base down there to make it worthwhile so far.

Senator ANDREWS. Don't you have adequate cloud formations?

Mr. MCAULIFFE. This has been an extremely dry season with very few clouds to seed. Maybe they will gather soon, but not yet.

Senator ANDREWS. Nobody lives with an eye closer to the sky than the North Dakota farmer. We have a good deal of interest, of course, in weather and how much it rains and all that. The University of North Dakota in conjunction with the Bureau of Reclamation and other agencies engaged in weather modification for a long time.

As a matter of fact, they have a pretty outstanding piece of equipment, a jet airplane with all the computerized gadgets and the rest that are doing weather modification work on a research project.

I was at the University of North Dakota with a group of Moroccans a month or two ago. They are going to share some of their technical know-how with the Morrocans. If they can make it rain in that sandpile called Morocco, it ought to be a cinch to make it rain in Panama.

This always gets the question in my mind, does one arm of our Government, Panama Canal Commission, check with other arms, that is, Bureau of Reclamation, as to what the opportunities are, if indeed and in fact you have a significiant shortfall in rain or is it significant enough to worry about?

I would think the difference between a 39½-foot draft, and if you have to lower a couple more 6-inch increments, you are down to 37, you are pretty well crippling some major shipping effort through that canal. Based on what they have been doing, a phone call or two to the University of North Dakota might get you in touch with them. They might have some ideas.

Mr. GIANELLI. We should pursue it. As you point out, the Bureau of Reclamation has done a lot of work in that area with mixed results.

Senator ANDREWS. It has been a mixed bag for years.

Mr. GIANELLI. It is one we ought to explore.

Senator ANDREWS. We tried it 30 years ago with a Stearman. You are almost old enough to remember those days.

Mr. GIANELLI. I remember the lawsuits that resulted from some of those, too.

Senator ANDREWS. Fred Fremont and I got some dry ice. He took off with that Stearman. We had a beautiful cloud from the west. He got in the cloud, it took a long time because the Stearman was underpowered, he dumped the dry ice and it rained 4½ inches 10 miles from the farm.

We never did admit we had been messing around. It sure did have an impact with rain 8 or 10 miles downwind from us.

In the intervening 30 years a lot has been done toward finding ways of really measuring what can be done. As I say, the University people are pretty proud of what they have been about to develop. That may be an alternative.

Mr. GIANELLI. I think we ought to check into it because I think there is something there.

REPAYMENT OF CLAIMS

Senator ANDREWS. During the period of October 1979 to March 1982 the U.S. attorney for the Canal Zone sent a number of final judgments against the Panama Canal Company by the U.S. District Court for the Canal Zone to the General Accounting Office for certification and payment from the permanent indefinite appropriation for judgment established by the title 13 of the United States Code.

The judgments were paid from the account for "Judgments: U.S. Courts." Subsequently the question was raised as to whether these payments should have been made from the Panama Canal Commission operation and maintenance appropriation.

We understand that the General Accounting Office has ruled that the Panama Canal Commission funds are available to pay judgments, including interest, against the former Panama Canal Company.

What was the total amount of these judgments and what will be the impact on your fiscal year 1983 supplemental or fiscal year 1984 budget requirements?

Mr. MCAULIFFE. The total amount which GAO recommended that we reimburse the general appropriation was for $19.1 million in claims against the old former Panama Canal Company. We have requested assistance from GAO regarding the manner for reimbursing the Treasury for these claims of the Panama Canal Company, our predecessor agency.

With GAO assistance the technical difficulties that precluded our making these repayments have been resolved and we intend to make the reimbursement probably within the next week or two.

Senator ANDREWS. Do you have enough money in the till?

Mr. MCAULIFFE. Yes.

Senator ANDREWS. You don't have any great obligations downstream?

Mr. MCAULIFFE. No. Once the amount was known, that money was set aside, so the funds are there. That doesn't require any special authorization to pay it. It is just a matter of working it out with the GAO.

SUBMITTED QUESTIONS

Senator ANDREWS. Thank you very much, Mr. Secretary and Mr. Administrator.

I have some other questions for the record. We will submit them to you. Senator Chiles and other members of the subcommittee may have questions for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

PAYMENTS TO PANAMA

Senator Andrews: As I understand it, aside from the normal schedule of payments and a $10 million fixed annuity, there is an additional contingency payment provided for in the treaty which prescribes that up to $10 million of any profit margin made in the course of one year would be paid to Panama. That contingency payment is not included in your tolls formula, nor is it provided for in your appropriation. As we understand it, you just have to determine whether or not you are making a profit and then if that happens, as happened in your first year of operation, you submit a supplemental appropriation request to Congress specifically for that payment. For the current fiscal year you are estimating a contingency payment to Panama of approximately $400,000. When will the General Accounting Office audit of this estimate be completed?

Mr. McAuliffe: In an exchange of diplomatic notes between the U.S. Embassy in Panama and the Ministry of Foreign Relations of the Republic of Panama, it was agreed that any sum owing to Panama under paragraph 4 (c), Article XIII of the Panama Canal Treaty of 1977 would be made no later than April 30 of each year subsequent to the delivery by the United States General Accounting Office of the Certified Annual Financial Audit Reports of the Panama Canal Commission, such reports to be completed by March 31 of each year. It is our understanding that the General Accounting Office is completing its audit of the FY 1982 results and the report is expected within the next several weeks.

FRAUD, WASTE AND MISMANAGEMENT

Senator Andrews: What is the Commission's program to combat fraud, waste and mismanagement?

Mr. McAuliffe: The Panama Canal Commission's program to combat waste, fraud and mismanagement is structured on the Inspector General's program which was extended to the Canal organization. Specific responsibility for comprehensive internal audit is discharged by the General Audit Division under the direction of the General Auditor. Significant features of the Inspector General program included in this responsibility are:

--Providing direction to and conducting, supervising, and coordinating audits and investigations of Canal organization operations.

--Promoting economy and efficiency in the administration of, and detecting and preventing fraud and abuse in, programs and operations of the Canal organization.

--Keeping the head of the Agency fully informed of recommended actions to correct problems identified.

--Insuring compliance with the audit standards of the Comptroller General and the American Institute of Certified Public Accountants, and effecting coordination and cooperation with the GAO.

Senator Andrews: If Commission staff suspect a fraud has occurred, who would they turn to for an investigation? If property was stolen, or false travel claims were filed, who would do the criminal investigation?

Mr. McAuliffe: If a case of suspected fraud is discovered in the Panama Canal Commission, the agency's General Audit Division would conduct an administrative investigation of the incident. In the case of theft or other criminal activity that would warrant an investigation and possibly criminal proceedings, the law enforcement authorities of Panama could be called in for appropriate action.

Senator Andrews: Since the Supervisory Board's Chairman is an Assistant Secretary of the Army, can the Army's criminal investigation division investigate crimes against U.S. Government on Commission property as they do on Army property? Can the Federal Bureau of Investigation do so? To which United States attorney would suspected criminal act be presented?

Mr. McAuliffe: The Panama Canal Commission is an independent agency in the Executive Branch of the United States Government and not part of the Department of the Army. That being the case, the Army's Criminal Investigative Division would have no authority with respect to crimes against the U. S. Government on Commission property. The current chairman of the Commission's Board is the Assistant Secretary of the Army (Civil Works), who acts as the designee of the Secretary of Defense (who, by law, is the officer of the United States through whom the President is to exercise his authority with respect to the Commission). See section 1101 of Public Law 96-70, 93 Stat. 456.

The jurisdiction of the Federal Bureau of Investigation with respect to such crimes would be the same as it is in other foreign countries. It is our understanding that, except for a few offenses (such as espionage) where a statute provides for extraterritorial jurisdiction, there generally is no jurisdiction in the United States over criminal offenses committed abroad. Where such jurisdiction does exist, it would be up to the Criminal Division of the Department of Justice to determine the appropriate district in the United States in which to prosecute. (See 18 U.S.C. Sec. 3238)

UNIVERSAL TONNAGE MEASUREMENT SYSTEM

Senator Andrews: The Committee understands that the worldwide acceptance of the International Convention on the Tonnage Measurement of ships, adopted in July of 1982, prompted the Commission to re-evaluate its use of the existing tonnage system which provides the basis for Commission toll charges. Please summarize for the record your recent study of this matter and what its potential impact, if any, might be on the total revenues and operations of the Commission.

Mr. McAuliffe: Adoption of the Arthur Andersen and Company recommendation to use the Universal Tonnage Measurement System (UMS) as the basis for Panama Canal tolls would have no impact on Canal revenues and is expected to have minimal impact on users of the Canal. Only new ships would have their tonnages based on UMS. The recommended mathematical method for deriving Panama Canal net tonnage from UMS achieves a very close match with existing tonnage, with the

result that like ships would continue to pay like tolls, with only minimal variations.

In order to make this clear to shippers and admeasurement and classification societies, the Commission has distributed summaries and copies of the report worldwide to interested groups and customers, and is planning a series of symposia to discuss and gather informal comments on the recommendation prior to taking any formal action toward its adoption. If the Commission's Board later decides to propose a change formally, all interested parties would then have the opportunity to make a formal response to the proposal.

CAPITAL PROGRAM

Senator Andrews: What are the Commission's capital program objectives in view of the reduced workload at the Canal?

Mr. McAuliffe: During the past several years the Panama Canal Commission Capital Program was devoted to capacity-related projects which included procurement of additional tugs, procurement of additional locomotives, construction of a tie-up station north of Pedro Miguel Locks and installation of high mast lighting at each set of locks. Now, the Commission is concentrating on the maintenance and replacement of equipment which has been deferred over the last few years. The current capital program reflects increased maintenance and replacement of aging and obsolete plant and equipment which has been deferred.

RETURN ON INVESTMENT

Senator Andrews: We understand that the General Accounting Office has questioned why the Commission does not pay into the miscellaneous receipts account of the Treasury and return on investment to the United States, as compared to the payment of more than $75 million each year to Panama as its return on investment in the Canal. What is your rationale for this?

Mr. McAuliffe: Our rationale is based on our interpretation of the legislative history concerning the Panama Canal Act of 1979. We believe Congressional intent was made evident in Conference Report 96-473 which specified that interest shall be calculated on the net direct investment, as had been the practice of the Panama Canal Company, the Commission's predecessor. The Commission followed this report since the Comptroller General has recognized Conference reports as the most authoritative single source of legislative history. The Commission has provided the GAO with a formal explanation of its position on this question. In that paper, the Commission requested that this explanation be made available to all recipients of the GAO report.

Senator Andrews: You argue in your January 14, 1983, letter to Mr. Stockman that much of the investment exempted from consideration in computing a return on investment is retained earnings and that it seems unfair to ask the shipping industry to pay again on such amounts. Is this still your position? What has been OMBs reaction to it?

Mr. McAuliffe: The Commission still maintains that it is inappropriate to have our customers cover the cost of interest on retained earnings. The Office of Managment and Budget is studying our position on this issue.

EMERGENCY FUND

Senator Andrews: If the Commission appropriation is moved to the General Fund, the balance in the Emergency Fund would have to be accommodated in some way. What is the current balance? What would be the Commission recommendation for handling this fund if the Panama Canal Commission Fund is eliminated?

Mr. McAuliffe: The Emergency Fund is a $10 million provision derived from revenues of the Panama Canal Commission, and appropriated by the Congress and set aside for specific emergency purposes. The Commission would not use this source of funding except in emergency situations. It is our understanding that nothing would have to be done.

CANAL CAPACITY INCREASES

Senator Andrews: The capital improvement program was promising a 15% capacity increase in 1983 (page 188) over what existed in 1979. What is the daily capacity now compared to 1979?

Mr. McAuliffe: At the end of FY 1983, once the two capacity improvement projects under construction (Phase I of the tie-up station and high mast lighting at Pedro Miguel Locks) are completed, capacity will be approximately 15% above the 1979 level, or 42-44 ships per day depending on ship size and Canal waters time.

Senator Andrews: You indicated also last year that the improvement projects underway at that time plus projects funded in 1983 would "serve to round out capacity projects" with the next focus being efficiency of operation. What projections do you have for transit demand and subsequent capacity needs for the next five years?

Mr. McAuliffe: Based on our current traffic forecast, which projects a steady, but moderate increase for other than North Slope oil transits, once the capacity improvement projects funded in 1983 are completed, the Commission will have adequate capacity to handle traffic during the next several years. The Commission has shifted the emphasis of the capital program from capacity related projects to improvements and replacement of plant and equipment.

INTERNAL AUDIT STRUCTURE

Senator Andrews: General Accounting Office standards for audit of government organizations states that internal audit should report to the "head or deputy head of the agency". The General Accounting Office has questioned the organization location of the internal audit function within the Commission in that internal audit reports to the Chief Financial Officer. Have you taken any action on this matter? Explain.

Mr. McAuliffe: Although the internal audit staff has traditionally been carried administratively as part of the Office of Financial Management, it has always exercised complete independence in the selection and scheduling of audits and the development of audit findings. The reporting by the General Auditor of findings and recommendations is made directly to the head of the agency. Likewise, actions taken on recommendations must also be reported back to the agency head by the parties concerned. These reporting procedures

conform to GAO standards for internal audit groups and ensure the complete autonomy and independence of the internal audit function within the Commission. This arrangement is also in compliance with OMB guidance in this regard (OMB Circular A-73). The work performed by the internal audit staff has served to greatly facilitate GAO's annual audit of the Commission while providing excellent internal audit work on an unbiased, self-regulated basis.

TURNOVER OF FACILITIES TO PANAMA

Senator Andrews: The Panama Canal Treaty calls for the return of facilites and operating functions to the Republic of Panama to be completed in 1999. What is the current status of these activities? What milestones have been achieved since the treaty was signed? What is the schedule of future milestones? Provide detail for the record.

Mr. McAuliffe: At entry into force of the Panama Canal Treaty of 1977 on October 1, 1979, the responsibility for the operation of the ports of Balboa and Cristobal including the marine bunkering activity, the Panama Railroad and their associated assets transferred to Panama. In areas made available by the treaty to the Panama Canal Commission, Panama assumed responsibility for public services such as road and street maintenance, street cleaning, street lighting, certain fire protection and police protection. Three townsites, occupied primarily by employees of the Commission who were not U.S. citizens, were turned over together with their infrastructures, pursuant to treaty. Various other assets, including buildings, highways, and sewage, water and electrical distribution systems, were also transferred.

At the end of the transition period, March 31, 1982, Panama assumed responsibility for law enforcement in areas made available to the Panama Canal Commission. Included with this responsibility is the operation of prison systems and courts. To effect these changes, on March 31, 1982, the Commission disestablished its Police Division and the Magistrates' Court, thereby turning over total law enforcement responsibility to Panama. On the same date the Balboa Police Station Complex and the Balboa Magistrates' Court Building transferred to Panama. The former Canal Zone Penitentiary was transferred in December 1980 when it became excess through implementation of the Prisoner Exchange Treaty between the United States and Panama. To complete law enforcement changes, the U.S. District Court Building was transferred July 14, 1982, and the police training center building in Cristobal transferred, as scheduled, on October 1, 1982.

Other facilities were scheduled to transfer on October 1, 1984, namely the Mount Hope warehouse area and the Mount Hope motor transportation area. However, by arrangement with Panama, the Mount Hope warehouse facility, which had become excess to the needs of the Commission, was transferred on May 10, 1982 in consideration for the Commission's extended need for the Mount Hope transportation area. This latter area is now scheduled for transfer to Panama on October 1, 1989.

The treaty documents call for the October 1, 1984 transfer of the use of at least twenty percent of the housing made available to the Commission. Beyond that, the use of at least thirty percent is to

pass within 10 years from entry into force of the treaty. Within 15 years, the use of a total of forty-five percent must pass, and within 20 years the use of a total of sixty percent will transfer to Panama.

Other assets that may pass to Panama prior to the year 1999 include the Balboa and Coco Solo Commissary installations, when the United States ceases to use these facilities, and the Pier 20 and Scrap Yard areas located in the Balboa Port at such time as they are required by Panama for expansion of that port and Panama provides acceptable substitute space.

On December 31, 1999, all remaining Commission facilities will transfer to Panama including locks, dams, buildings, and removable assets required for the operation of the waterway. To this end, the Commission has embarked on a program to prepare an increasing number of Panamanian employees for positions of higher responsibility within the Commission through expanded on and off-the-job training programs focusing on apprenticeships and language and management training.

SEA LEVEL CANAL

Senator Andrews: What if any studies or discussions are going on between the Department of State and Panamanian Parties regarding construction of a sea-level canal? You indicated last year that Commission personnel were serving on a preparatory committee along with other representatives from the United States, Panama, and possibly other countries. This Committee was to establish the boundary conditions for any future feasibility study on alternatives for the Canal. What progress can you report from the preparatory committee?

Mr. McAuliffe: We are informed by the Department of State that although the Panama Canal Treaties of 1977 obligate the United States and Panama to study the feasibility of a sea-level canal, there are no discussions currently underway regarding construction of such a canal. The Preparatory Committee to which the question refers was created in an exchange of diplomatic notes on September 30, 1982 in order to prepare for a study of a variety of alternatives to the existing Canal. These would include possible expansion and improvement of the existing Canal and non-hydraulic transportation systems, as well as a sea-level canal. We hope that the study will provide the United States and Panama with the information necessary to decide whether or not the Canal will be adequate beyond the life of the Treaties, and if it will not be, then what if anything ought to be done about it. The United States has stressed that it has no preconceived notion of how a study should conclude, and that we want an objective look at all realistic alternatives, including the "do-nothing" alternative. At the same time, however, the United States has not tried to hide its doubts about the economics of a sea-level canal.

The Committee held its installation meeting in Panama during December 1982. The meeting did not result in any substantive decisions. The date of the next meeting has not yet been set, although it is expected that it will be sometime in May 1983. It is estimated that the Preparatory Committee will be able to finish its work in approximately one year, submitting its recommendations to the interested governments before the end of 1984. Assuming that the recommendations would be accepted, a feasibility study could begin sometime thereafter.

Senator Andrews: Do any studies show that a canal enlargement is cost efficient anytime during the life of the Treaty?

Mr. McAuliffe: The Commission is embarking on a computer-assisted study relating to the widening of Gaillard Cut and channel entrances as a potential major project for increasing the transit capacity of the waterway, taking into consideration the increasing size of vessels using the Canal. The study would assist in determining the cost of an optimal channel design which would be an essential ingredient in assessing cost effectiveness of such a project.

WORKLOAD MEASUREMENTS

Senator Andrews: With regard to workload measurements, update figures provided for the fiscal year 1983 hearings showing the number of tons tranisted per dollar of expense to include fiscal year 1982. Also, add a column showing "Tons per Dollar of Revenue". What, if any, impact of the world-wide recession can be detected?

Mr. McAuliffe: The updated table, including the new information requested, is as follows:

PANAMA CANAL
WORKLOAD MEASUREMENTS

	Panama Canal Net Tons Transiting	Total Net Operating Expenses 1/ (In millions)	Tons per Dollar of Expenses (In millions)	Total Tolls Revenue	Tons per Dollar of Tolls Revenue
Panama Canal Commission 2/					
FY 1982	204.0	$324.3	.63	$325.6	.62
FY 1981	189.5	303.7	.62	303.1	.63
FY 1980	183.2	290.7	.63	293.4	.62
Panama Canal Company					
FY 1979	168.5	204.0	.83	209.5	.80
FY 1978	157.6	180.1	.88	195.7	.81
FY 1977	134.2	159.3	.84	164.7	.81

1/ Net operating expenses represent the total expenses less revenues from all sources.

2/ Includes treaty required payment to the Republic of Panama.

The level of commercial cargo shipments are the best indicators of the effects of an economic recession on Canal traffic. Through the five months of this fiscal year, cargo tonnage, excluding Alaska North Slope (ANS) oil shipments, is below last year's levels by nearly 6 percent. Although it is difficult to identify precisely what portion of that decline is attributable to the recession, it does appear that most of that loss is recession related. Declines in specific commodities that can be related to

the economic downturn include a 62 percent drop in coal shipments this year versus the same period last year, a 40 percent decline in the movement of manufactures of iron and steel and a 70 percent drop in autos, trucks and accessories.

Recessionary effects are not as severe in terms of transits and tolls revenue with ships continuing to transit the waterway, although with less cargo. Oceangoing transit levels, excluding ANS tankers, are about 1 to 2 transits per day below 1982 levels, but the lower numbers have been offset by an increase in average ship size. Excluding ANS, tolls revenue through the five months reached $112.3 million compared to $110.5 million the prior year; however, during February tolls revenue was approximately 10 percent below that of February 1982 and some further deterioration from last year's levels is expected in the coming months as the shipping industry adjusts to the low cargo levels.

PROPOSED LEGISLATION

Senator Andrews: Please provide for the record a copy of your proposed legislation to authorize appropriations for fiscal year 1984 and 1985 and for the Panama Canal Commission to operate and maintain the Panama Canal along with a section-by-section analysis of the bill.

(The information follows)

FY'S 1984 AND 1985

PROPOSED AUTHORIZATION LANGUAGE

A BILL

To authorize appropriations for fiscal years 1984 and 1985, for the Panama Canal Commission to operate and maintain the Panama Canal and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Panama Canal Commission Appropriations Authorization Act."

OPERATIONS AND FACILITIES

SEC. 2. (a) There is authorized to be appropriated for the use of the Panama Canal Commission for the fiscal year beginning October 1, 1983, not to exceed $453,800,000, and for the fiscal year beginning October 1, 1984, such sums as may be necessary, for capital outlay and operating expenses of the Commission incurred under the Panama Canal Treaty of 1977 or the Panama Canal Act of 1979, including-

(1) Maintenance and alteration of facilities used by the Commission pursuant to the Panama Canal Treaty of 1977 and related agreements;

(2) operation of guide services;

(3) procurement of expert and consultant services as provided by law (5 U.S.C. 3109);

(4) residence for the Administrator exclusive of wages, which shall be an operating expense of the Commission;

(5) official reception and representation expenses;

(6) disbursements by the Administrator for employee recreation and community projects;

(7) purchase of passenger motor vehicles as may be necessary for fiscal years 1984 and 1985;

(b) Of the aforementioned authorization for appropriation $29,438,000 for fiscal year 1984, and such amounts as may be necessary for the fiscal year 1985, are authorized to remain available until expended, for acquisition, construction, replacement and improvements of facilities, structures, and equipment required by the Panama Canal Commission.

(c) There are authorized to be appropriated, in addition to the amounts authorized by subsection (a) of this section, such additional supplemental amounts for the activities for which appropriations are authorized as may be necessary for increases in salary, pay, retirement, or other employee benefits determined by law or authorized by administrative action pursuant to law, for covering payments to Panama under paragraphs 4(a) and 4(c) of Article XIII of the Panama Canal Treaty of 1977, as provided by section 1341 (a) of the Panama Canal Act of 1979, and for increased costs for fuel expenses.

Sec 3 (a) On October 1, 1983, the receipt account "Panama Canal Commission Fund" shall be terminated, and any unappropriated balances of receipts under such account as of that date shall be covered into the General Fund of the Treasury. Effective October 1, 1983, tolls for the use of the Panama Canal and all other receipts of the Commission shall be credited to the miscellaneous receipts of the Treasury.

(b) References in the Panama Canal Act of 1979 (22 U.S.C. 3601-3871) to "revenues deposited in the Panama Canal Commission Fund" shall mean "receipts of the Panama Canal Commission deposited in the General Fund of the Treasury".

(c) In the event cumulative receipts of the Panama Canal Commission deposited in the Treasury from inception of the Commission are less than cumulative expenditures from appropriations at the close of a fiscal year, the amount of such difference shall be deducted from those amounts which would otherwise be authorized for appropriation to the Commission under the Panama Canal Act of 1979 in the second year after the deficiency was incurred. References in the Panama Canal Act of 1979 to be unexpended balance shall mean the cumulative balance of receipts less cumulative expenditures of the Panama Canal Commission.

SECTION-BY-SECTION ANALYSIS

H.R. to authorize appropriations for fiscal years beginning October 1, 1983 and October 1, 1984 for maintenance and operations of the Panama Canal, and for other purposes.

Section 1. --Short title.

Section 2. --Operating Expenses and Capital Outlay. Section 1101 of the Panama Canal Act of 1979 provides that the Panama Canal Commission shall be responsible for the maintenance and operation of the Panama Canal and the facilities and appurtenances related thereto.

Section 2(a) authorizes appropriations of $453,800,000 for use by the Commission for maintenance and operation of the Canal and for capital outlay during fiscal year 1984. This section also enumerates certain specific on-going categories of operating expenses of the Commission which are required by law to be specifically authorized each year, such as procurement of expert and consultant services.

Section 2(b) provides that $29,438,000 of the amount authorized for appropriation for fiscal year 1984 and such amounts as may be necessary for fiscal year 1985 shall remain available until expended for capital requirements of the Commission. The Panama Canal Commission derives its responsibilities for maintenance and operations of the Canal from the Panama Canal Treaty of 1977, and related agreements as well as Section 1101 of the Panama Canal Act of 1979.

Section 2(c) provides authorization for supplemental appropriation, if required, to cover increases in salary, pay, retirement, or other employee benefits determined by law or authorized by administrative action pursuant to law; to cover payments to Panama ($.30 per Panama Canal net ton of cargo, or its equivalency, for each vessel transiting the Canal and contingency payment of up to $10,000,000 per year, cumulative, required if total revenues exceed total expenditures) required under paragraphs 4(a) and 4(c) of Article XIII of the Panama Canal Treaty of 1977; and for increased costs for fuel expense.

The purpose of this provision is to decrease the time required for obtaining supplementals for these specific cost increases, the occurrence of which is beyond the control of the Agency. Increased costs stemming from legislation or other factors would create current obligations which must be covered by available operating funds until a supplemental appropriation is received. This in turn, could force a curtailment of Canal maintenance and other essential programs. The risk of this happening will be reduced by expediting the supplemental appropriation process.

Section 3. The purpose of this section is to solve a cash-flow problem for the Panama Canal Commission and to authorize repayment to the General Fund of the Treasury the remainder of those funds advanced to the Commission for operations in fiscal year 1980.

Section 3(a) provides for the termination of the special account in the Treasury established by the Panama Canal Act of 1979 and authorizes any unappropriated balance in the Panama Canal Commission Fund to be covered into the General Fund of the Treasury. Effective with the beginning of the fiscal year, all deposits previously made to the special fund will be credited to the General Fund.

The purpose of this provision is to allow the Commission to operate from the General Fund of the Treasury. This will solve a

cash-flow problem the Commission has endured because of the creation of the special fund. Treasury has determined that warrants could only include those funds actually deposited in the account and therefore, it was necessary to retain $85,583,000 in Treasury funds in order to operate the first six weeks of any fiscal year. This bill authorizes, from the amount authorized to be appropriated, repayment of those funds to the Treasury.

Section 3(b) provides that all references in Public Law 96-70 (the Panama Canal Act of 1979, 22 U.S.C. 3601-3871) to revenues deposited in the special fund known as the Panama Canal Commission Fund shall mean receipts of the Panama Canal Commission deposited in the General Fund of the Treasury. The purpose of this provision is to insure that, upon the demise of the Panama Canal Commission Fund, that the law is changed so reference will be to the General Fund of the Treasury.

Section 3(c) continues the principle that the Canal operate at no cost to the U.S. taxpayer. This section provides that if revenue deposits of the Commission provide insufficient to cover expenditures from appropriations in any one year, the amount of such difference shall be deducted from those amounts which would otherwise be authorized for appropriation to the Commission under the Panama Canal Act of 1979 in the second year after the deficiency incurred.

Senator Andrews: Since such authorizing legislation has never yet been enacted since the treaty, what changes might be enacted in a timely fashion this year?

Mr. McAuliffe: Because the appropriation language contains virtually all the provisions of the authorizing language proposed by the Administration, the Commission has no additional recommendations at this time.

PERSONNEL SECURITY

Senator Andrews: Given the uneven acceptance of the United States presence in Latin American what if any unusual problems is the Panamanian Government having in providing security to United States Nationals employed by the Commission?

Mr. McAuliffe: Security problems facing U. S. nationals in other Latin American countries have not surfaced in Panama. Hence, the Panamanian Government is having no unusual problems providing security to U. S. nationals or others employed by the Commission.

PILOT TRAINING

Senator Andrews: What percentage of the pilots employed by the Commission are Panamanian? What percentage of Towboat Masters are Panamanian? Last year you reported (page 193) that 24 Panamanian employees were at various stages of training as towboat masters and pilots. What is the status of these trainees now?

Mr. McAuliffe: Four percent of Commission pilots are Panamanians; 27 percent of our towboat masters are Panamanians. Of the 24 Panamanians who were in towboat master and pilot training programs last year, two have graduated and are in towboat master

positons; the other 22 are still in training. As a matter of information, there are currently 65 Panamanian employees in training for towboat master and pilot positions.

LEASE OF TUGS

Senator Andrews: The service life of tug boats is arguably a good deal more than the remaining 17 years of U.S. interest in the Canal. Have you considered leasing rather than buying new tugs?

Mr. McAuliffe: Yes we have. However, our experience has been that we cannot find the specific kind of tug for our operation at the right price.

LABOR NEGOTIATIONS

Senator Andrews: Your monthly report for May 1982 discusses briefly three separate collective bargaining processes. No problems were indicated so the assumption is that these negotiations are proceeding smoothly. Please give us a summary of progress to date on your labor negotiations.

Mr. McAuliffe: To date, three 3-year collective bargaining contracts have been negotiated and signed with three separate unions representing Panama Canal pilots, licensed marine engineers, and fire fighters. Additionally, negotiations are currently in progress with the two unions representing professional and non-professional employees. Agreement is expected on these two contracts within the next two to three months. We have experienced no inordinate difficulties in our negotiations to date and have been able to maintain stable and harmonious labor/management relations throughout these proceedings.

PROPERTY DISPOSAL

Senator Andrews: Does the Commission and the Department of Defense each carry out separate property disposal activities in Panama? Have you considered a consolidation?

Mr. McAuliffe: Consolidation of Panama Canal Commission and Department of Defense excess disposal activities in Panama is not expedient for the following reasons:

1. (a) The Panama Canal Commission must comply with paragraph 7 of Article III of the Agreement in Implementation of Article III of the Panama Canal Treaty which gives preference to the Government of Panama when the Commission disposes of property. Department of Defense treaty agreements with Panama do not contain such a requirement.

(b) Procedures have been established between the Panama Canal Commission and Panama and are working smoothly.

2. (a) The Panama Canal Act of 1979 specifies extraordinary approvals for property transfers to and from the Commission involving other U. S. agencies. For property transfers to the Commission, fair values of property (affecting the Panama Canal Commission interest base) must be approved by the Director, Office of Management and Budget, while <u>all</u> property transfers must be approved by the Secretary of the Army's office.

(b) The Panama Canal Commission excess disposal office is the central clearinghouse for property transfers, establishing fair values, monitoring all transactions, ensuring that approvals are obtained, and proper documentation is completed.

3. In addition to the excess property function, the Panama Canal Commission excess disposal activity has responsibility for the accumulation, processing, and disposal of scrap metals generated by all U. S. Government agencies in Panama.

PANAMA CANAL CONSULTATIVE COMMITTEE

Senator Andrews: Please list and discuss briefly any policy recommendations issued by the Panama Canal Consultative Committee.

Mr. McAuliffe: The Consultative Committee is a high-level diplomatic body and provides advice to the two governments on matters relating to Canal operations, financing and investment policies, employment and training policies and general international and legal questions. It has been relatively inactive, but has nevertheless played a positive role as an advisory body to both the United States and Panama. As such it has considered a number of issues and taken the following actions:

In November 1980, the Consultative Committee created a Legal Subcommittee to review Panama's concerns with PL 96-70. The subcommittee submitted a report which was approved by the full committee and submitted to the two governments.

In October 1981, the Consultative Committee created a subcommittee to draw up the agreement establishing the Preparatory Committee. The subcommittee produced a draft agreement which was approved by the full Committee and submitted to the Governments of the United States and Panama for consideration. This draft served as the basis for the diplomatic notes which were exchanged on September 30 to form the Preparatory Committee.

Senator Andrews: What has been the influence of this Committee on toll rates for the past five years?

Mr. McAuliffe: The Consultative Committee has not had an influence on toll rates. These have been determined by economic considerations and the necessity of covering the cost of Canal operations with Canal revenues.

PANAMANIAN COST RECORDS

Senator Andrews: In a GAO report dated January 12, 1981 concern was expressed about the lack of detailed cost records in the Panamanian Government to support changes for annual public service payments. Panama set a goal of implementing an accounting system "within three years" so costs can be properly supported. What is the status of that accounting system? Is the Commission satisfied with the quality of cost data it now receives from Panama? (NOTE: GAO Report, ID-81-14).

Mr. McAuliffe: The Commission has not received any cost information on the public services being provided by Panama. It is our understanding, however, that effective August 1981, the Office of the Comptroller General of the Republic of Panama assumed the

accounting responsibility for the costs of those services and that that office is now in the process of compiling the costs for the first triennium. Upon receipt of that information, the United States and the Republic of Panama can then proceed to pursue the agreement for the services to be provided for the second triennium.

VIOLATION of ALLOTMENT

Senator Andrews: Last November there was reported to Congress, as required by Title 31 of the U.S. Code, a violation of a fiscal year 1982 Panama Canal Commission operating expense allotment. Please provide for the record the details of this violation along with what actions have been taken to prevent a recurrence.

Mr. McAuliffe: The violation you refer to was an overobligation of an internal allotment within our Engineering and Construction Bureau amounting to $1,950,273. This amount was covered by underruns in other Commission activities and represents no cost to the U.S. Treasury since revenues covered all requirements.

The overobligation within the Engineering and Construction Bureau occurred during the last week in September when a $6.8 million purchase order was issued for approximately 225,000 barrels of "Bunker C" fuel oil.

The overobligation was attributed primarily to the fact that the allottee, in striving to utilize his resources to the optimum benefit of the Commission, apparently made a miscalculation in arriving at available funds. Had this purchase not been made, the Engineering and Construction Bureau would have underrun its allotment by $4.9 million.

I have directed all allottees to seek independent verification of fund availablity computations by personnel not directly associated with the original calculations. Additionally, I have directed the Chief Financial Officer to ensure that the current fund control procedures are being properly utilized by all personnel.

LIAISON SERVICE

Senator Andrews: The liaison service unit established last spring (page 188) was intended to assist employees of the Commission and the Commission itself when either became involved with the police or court system of Panama. Describe briefly the specific accomplishments of that group in the past year.

Mr. McAuliffe: The unit is now called the Support Services Branch, a change resulting from political opposition by the Republic of Panama. The unit is indoctrinating Commission employees and dependents into the legal and governmental system of Panama. Panama's refusal to openly recognize the unit has limited some of their activities, such as in assisting in transfer of custody and representation. However, interim alternative measures are being used to meet these needs. In areas of coordination with the U. S. military, the Commission and the Government of Panama such as in incidences of accidents or death, the unit has provided useful assistance.

Senator Andrews: You indicated this will be a permanent operation when the idea was presented. Do you still believe this special unit is necessary? Explain why normal diplomatic and counsular channels would not be adequate for this liaison purpose?

Mr. McAuliffe: The Panama Canal Treaty establishes special provisions for the Commission and its employees within the Republic of Panama which are beyond those services normally provided by diplomatic and consulate channels. Additionally, the extensive operation of the Commission requires continuing coordination at the operating level. For continuity and ease of operations, it is desirable to have a centralized unit providing these services.

TRAFFIC SURVEILLANCE SYSTEM

Senator Andrews: Your budget calls for funding the 3rd phase of a closed-circuit television/radar surveillance system so selected portions of the waterway can be monitored at the Marine Traffic Control Centers. When will the total system be completed? What particular safety improvements were to accrue from using such a system. Please provide a brief cost/benefit analysis which indicates both operational and safety benefits.

Mr. McAuliffe: The total project is scheduled for completion in mid FY 1984. This is a three phase project initiated in FY 1982. The FY 1984 project is scheduled for $640,000 and will include one low-light level camera at Gold Hill, one low-light level camera at La Pita Signal Station, one low-light level camera at Bohio turn, additional video recorders at Marine Traffic Control and camera identifiers at all locks with a possibility of running three video outputs at the Graphic Branch and three TV outlets at the Marine Director's Office. The CCTV system will enhance the functions now preformed by the Marine Traffic Controllers who need clear, precise and timely transit information. This project is primarily one to enhance the operation effectiveness of Marine Traffic Control. It is not yet impossible to provide a precise analysis which will indicate operational and safety benefits. However, preventing one accident because a Marine Traffic Controller translates clear, precise and timely information to a Pilot, justifies this project.

PRINCIPAL COMMODITIES

Senator Andrews: What are the principal commodities currently being shipped through the Canal? Provide a chart for the record showing the principal commodity groups transiting the Canal as a percent of total cargo in fiscal year 1982.

Mr. McAulifffe: The following table is provided:

Commodity Groups	FY 1982 Tonnage (thousands of long tons)	Percent
Petroleum and Products	59,015	31.8
Grains	37,581	20.3
Coal and Coke	22,529	12.1
Nitrates, Phosphates, Potash	8,455	4.6

Ores and Metals	7,842	4.2
All other	50,030	27.0
Total	185,452	100.0

MAJOR TRAFFIC ROUTES

Senator Andrews: Also for the record, include a table showing the major trade routes in Canal traffic by tonnage in fiscal year 1982.

Mr. McAuliffe: The following table is provided:

Trade Route	PCC Net Tons	Long Tons Cargo
	(In thousands)	
East Coast United States- Asia	71,682	71,789
East Coast United States- West Coast Central America 1/	32,731	31,532
East Coast United States- West Coast South America	15,506	11,701
Europe - West Coast United States/Canada	13,585	13,876
Europe - West Coast South America	9,482	6,020
U.S. Intercoastal (including Alaska and Hawaii)	6,650	6,000
East Coast United States/Canada-Oceania	5,053	4,312
East Coast Canada-Asia	4,337	3,235
West Indies - West Coast Central America	4,942	3,876
East Coast South America - Asia	3,486	3,442
Europe-Oceania	3,475	2,396
South American Intercoastal	3,246	3,336
Subtotal	174,175	161,515
All other routes	28,709	23,937
Total	202,884	185,452

1/ In Canal trade route statistics North Slope oil originating in Alaska is shown as transshipped cargo from Puerto Armuelles, Panama, if the vessel's voyage originated there.

QUESTIONS SUBMITTED BY SENATOR CHILES

IMPACT OF OIL PIPELINE

Senator Chiles: In your statement you mentioned that the opening of the Trans-Panama oil pipeline coupled with the effect of the recession is beginning to have an adverse impact on Canal traffic and toll revenue. You also mentioned that you have taken appropriate action to reduce operating expenses to help assure a break-even operation. What costs are being reduced to make up the revenue shortfall? If these reductions do not endanger the safe and efficient operation of the Canal, why were they not made sooner?

Mr. McAuliffe: Because the Commission is a self-sustaining operation, the only strategies available for recovering from the loss of traffic are to reduce cost and/or increase revenues. It has done both. I have been very conscious of the need to keep the Commission's costs to its customers as low as possible in order to

avoid any further strain on our business revenues. Consequently, I have had to apply a series of management actions aimed at reducing costs wherever possible. These moves have been applied, not only in the transit activities, those most directly affected by the lower workload level, but to just about every activity in the Commission, including all of the support functions.

Only after reducing our cost to what I consider the near-absolute requirement and awaiting the full impact of the pipeline, did we then consider applying the tolls increase.

Senator Chiles: Why is the Commission pushing ahead with capital projects to expand canal capacity when traffic losses are occurring as a result of the pipeline?

Mr. McAuliffe: A number of capacity projects were completed during the last two years in response to traffic demand that last year averaged over 38 vessels per day and during some periods exceeded 40 daily--in fact, during one month transits averaged 42 ships per day. Although traffic fell to a low of just over 32 per day during January, demand is expected to increase during the remainder of the year with transits averaging some 34 to 35 per day. Beyond fiscal year 1983 further long-term growth is projected. The Canal's present capacity is sufficient to handle the expected traffic levels during the next few years while providing a "cushion" necessary to accommodate traffic fluctuations.

CANAL SPENDING FOR "MORAL WELFARE AND RECREATION"

Senator Chiles: In a 1982 GAO report, questions were raised about Commission spending for Moral Welfare and Recreation (MWR). How large is the Commission's MWR program? Can it be specifically, fully and easily identified in the documents presented to this Subcommittee? If so, where? if not, why not?

Mr. McAuliffe: The question concerns expenditures for morale, welfare and recreation from the "contingencies of the Administrator". The Commission has two separate accounts that fall under the general category of morale, welfare, and recreational activities. The first of these, "contingencies of the Administrator", has been specifically authorized in the Commission appropriations for fiscal years 1980 through 1983, and has been under limitation for FY 1981 through 1983. The purpose of this fund is to provide support to community organizations which contribute to the morale and welfare of the Commission employee community.

The second account is an account for Commission-operated programs to further employee morale, primarily through a recreational activities program for Commission employees and their dependents. This program is authorized by the Treaty documents and has been disclosed to the Congress in each year's budget presentation. (Paragraph 11 of the Agreed Minute to the Agreement in Implementation of Article III of the Panama Canal Treaty provides that the agency "may continue to operate and maintain noncommercial recreation and community service areas and facilities for the benefit of all occupants of the housing areas and all employees of the Commission, and their dependents.")

The annual limitation on "contingencies of the Administrator" has been $25,000 for FY 1981-1983. Commission actual expenditures under that fund for fiscal year 1982 were $23,670. The expenditures from the morale, welfare, and recreational account for FY 1982 were $1.9 million.

Senator Chiles: What criteria is used for identifying charges against the MWR program? How are charges made against the MWR program distinguished from recreational expenditures made from the "contingencies of the Administrator" fund?

Mr. McAuliffe: The contingency fund for cash grants is distinguishable from the Commission's operation of recreational services and facilities because the nature of the two expenditures are different. The amounts shown under the latter classification pertain to recreation services and programs in which the Commission sponsors or has semi-sponsorship responsibility. This includes such items as the operation and maintenance of swimming pools, tennis courts and athletic youth leagues organized by and administered by the Commission. The contingency fund on the other hand relates to providing financial assistance in the form of cash grants to community organizations where such assistance is found necessary for the organization to carry out its program. Such programs need not be recreational in nature, and are conducted by the organizations themselves rather than the agency.

Senator Chiles: We understand that the Commission maintains and operates a launch or launches to take employees and others on deep-sea fishing trips. Is this a part of the MWR program? How much is this cost? Where is it reported?

Mr. McAuliffe: The operation of the launch Blue Runner is a part of the recreational activities and facilities program on page 25 of the 1984 justification. The estimated cost in 1984 is around $250 thousand. The operation of the launch is an effective way of maintaining employee morale; however, because of our reduction in revenue, that launch has been taken out of service.

Senator Chiles: We also understand that the Commission is developing a recreational area at Gamboa? How much has (will) this project cost? Is this a part of the MWR program and where are these costs disclosed in the budget presentation?

Mr. McAuliffe: The idea for developing an old golf course in the Gamboa area into a recreational area for the benefit of all Commission employees and their dependents was developed in March, 1981. The original concept of the project consisted of repairs to existing bohios (small covered huts) throughout the area, installation of additional picnic bohios and the development of a beach area. Cost of the project was to be held to a minimum by using scrap materials, labor, and machinery, from Dredging Division, when available, and volunteer labor from communities. Original cost was estimated at approximately $120,000.

The concept was presented to the Morale, Welfare and Recreation Board and the Board unanimously agreed that the project was needed and would be a great morale booster.

Work began in August 1981 and as the work progressed, the scope

of the project was gradually modified. By the end of May 1982, the beach area was completed, fourteen (14) small picnic bohios were fabricated and installed, one large bohio was rehabilitated, an existing parking area was enlarged and improved and an asphalt road through the site was constructed.

Total cost for the work performed amounted to $524,000 ($298,000 Capital and $226,000 expense). The Capital portion was accommodated by using FY 1982 savings and slippage in projects under Improvements to Support Services Facilities. The source of the expense portion was the FY 1982 operating expenses for the Recreation activities and facilities (page 25) and General Maintenance expenses (page 15). Year-to-date (FY 1983) costs amount to $6,053 and includes general expenses for routine maintenance of the facility.

Operation and maintenance of a recreational activities program (MWR) for Commission employees and their dependents is authorized by Paragraph 11 of Agreed Minute to the Agreement in Implementation of Article III of the Panama Canal Treaty which provides that the agency "may continue to operate and maintain non-commercial recreation and community service areas and facilities for the benefit of all occupants of the housing areas and all employees of the Commission and their dependents".

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess until Thursday, March 31, in the same room.

Mr. GIANELLI. Thank you very much, Mr. Chairman.

[Whereupon, at 11:25 a.m., Wednesday, March 23, the subcommittee adjourned, to reconvene at 10 a.m., Thursday, March 31.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, APRIL 12, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:35 a.m. in room SD–192, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, D'Amato, and Stennis.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

STATEMENT OF J. LYNN HELMS, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

ACCOMPANIED BY WILLIAM A. PLISSNER, DIRECTOR, OFFICE OF BUDGET

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning we have the privilege of hearing from the Federal Aviation Administration (FAA). Lynn Helms, the Administrator, is of course going to be the key witness for the FAA.

Might I advise my good friend, Mr. Helms, that I just flew in from Boston and my plane was precisely on time. So, air traffic control must be working—or maybe it is because of the conversation we had yesterday. [Laughter.]

That if the darned thing was not going to come through on time, you were going to have to wait. [Laughter.]

Welcome, Mr. Helms.

Let me assure you on behalf of the subcommittee that your entire statement will be included in the record as if read in full. You can summarize it in any way you want to and then we will proceed to the questions the subcommittee might have.

I am glad to have my colleague, the senior member of this committee—in fact, the senior member of the Appropriations Committee—with us this morning. John, good to have you here. I know of your great interest in the FAA and you are most helpful in that field.

17-540 O—84——21

Senator STENNIS. Thank you very much. Mr. Chairman, I have heard you were going to have a hearing so, while you were coming from Boston, I was coming from Mississippi.

Senator ANDREWS. I want you to know I was not just in Boston. I was speaking to the 250th anniversary of the Grand Lodge of Massachusetts and my own grand master was there to introduce me. So, I was in competent North Dakota hands, John.

Senator STENNIS. That is good.

STATEMENT BY SENATOR STENNIS

Mr. Chairman, it has been my privilege to work on several projects in the past with the Federal Aviation Administration. I have always found them to be very cooperative and willing to help when they could. I am sure that this year will be no different, and that Mr. Helms and his staff will provide the leadership that is needed in aviation.

In my own State of Mississippi, we have been very fortunate to have had the leadership of Mr. Ken Barfield, the director of our State Aeronautics Commission who is the second person to hold that position since the commission was created in 1946.

Mississippi has an active aviation history with notable achievements as early as 1924, when the first commercial application of chemicals to a growing crop from the air occurred at Heathman, Miss. The first scheduled airline flight into Mississippi began on June 17, 1929, when Delta Air Lines began its initial route which was between Jackson and Dallas, Tex., with stops in Monroe and Shreveport, La.

Since that time, aviation in Mississippi has increased tremendously. the latest figures that I have indicate that Mississippi now has 5,390 active certified airmen and 2,554 aircraft. These pilots and planes operate out of 173 airports in our State, 101 public and 72 private.

With all these airports and aircraft, Mississippi has a great need for quality air traffic control. This type of control demands complete cooperation between our State and local officials and the Federal Aviation Administration officials in Mississippi. Up until now there was no doubt that we have had that kind of cooperation, and I want to commend Mr. Helms for his agency's good work.

However, Mr. Chairman, I am afraid that this fine cooperation and communication may be endangered by a recent proposal of the Federal Aviation Administration to reorganize the Federal Aviation District Office at the Jackson Municipal Airport and eliminate the position of District Office Director. This office, in its present capacity, has provided a great service and safety in Mississippi, and to downgrade it at this time, just when there is the possibility of additional airlines moving into our State, would be a mistake. I trust that Mr. Helms and his staff will review this proposal very carefully before moving ahead. Mr. Chairman, I would be happy to provide additional information to Mr. Helms or this subcommittee on this issue if there is a need.

Thank you.

PERSONNEL PERFORMANCE

Senator ANDREWS. Lynn?

Mr. HELMS. Mr. Chairman, I hope your trip this morning was indicative of what we believe to be the case, that the full system is recovering.

I consider myself flattered to have the distinguished senior Senator from Mississippi here because if my memory serves me correctly, he was the first chairman of this subcommittee some years ago.

Mr. Chairman and members of the committee, I again welcome the opportunity to appear before you to present the Federal Aviation Administration's budget request for fiscal year 1984.

Pursuant to the chairman's offer, I will submit a comprehensive statement for the record but I would like to summarize or highlight a few items of importance.

The key area in my mind has been the performance of our personnel. Since I came on board, I have visited hundreds of FAA installations—at night, weekends, even as late as midnight—to observe our people at work in the facilities and headquarters. I continue to be impressed by the motivation and dedication displayed by our personnel of all disciplines, well-trained and with a strong sense of responsibility for our mission and the efficiency with which we accomplish it. I could not be more proud of any agency of the Government in what the FAA has accomplished in the last 2 years.

AIR TRAFFIC STRIKE RECOVERY

As regards the air traffic strike recovery, the air traffic control system is now capable of handling 100 percent of prestrike national system traffic levels. Existing restrictions to traffic will be reduced or largely eliminated by December of 1983. We will, however, continue to use prestrike flow-control methods and other measures to prevent excessive traffic buildup during peak hours.

Controls now in effect at 18 major airports—there were initially 23—involving allocated slots or reservations to land during designated hours—will be reduced to 11 airports by August 1983. Phaseout plans for the remaining 11 will be announced later in the year.

Restrictions on en route operations emanating from our 20 traffic control centers are being lifted in two steps.

Some 13 centers have already dropped restrictions on flights within center boundaries and the remaining 7 will follow suit by the end of August.

Flights between center areas have been subject to restrictions which are being phased out based on centers groupings, and further phase out will proceed through the remainder of the year.

I wish to emphasize that I have consistently held down full use of the projected capacity. That is, our air traffic people have each time showed me their projected capacity which originated at the operational level, and I have reduced the first level to provide also for weather, training, vacations, separations en route, et cetera. We are in no way rushing the system to its full capacity,

HUMAN RELATIONS PROGRAM

A broad-based human relations program is underway to help improve management-employee relations. A key element in this program is a Human Relations Policy Committee which I chair. It is composed of senior agency officials with diverse backgrounds, and it assists me in planning for improved relations. We have also appointed human resource specialists for each of our regions, centers, and Washington headquarters.

We have established Human Relations Committees. These elected committees provide employees with a vehicle for better two-way communication among all levels of management.

This program is the beginning of a long-range agency effort, based on the principle that the people of FAA are the FAA.

AIRWAY SCIENCE PROGRAM

An airway science curriculum was circulated to some 150 colleges and universities emphasizing aviation, electronics, management, and science courses at the undergraduate level. The program will meet one of my major goals—to provide new education and communications skills for our people, needed in the future, to meet the technological and managerial demands facing the FAA and the aviation industry.

The first graduates of this program will be available in the spring of 1984 from the University of North Dakota.

NATIONAL AIRSPACE SYSTEM PLAN

The national airspace system plan, of course, has been a major portion of our effort this year and will in the future. Selected highlights of 1982 achievements and activities related to the national airspace system plan are:

The Advanced Automation Program Office was established. This office will concentrate on the replacement of the existing 9020 computers in centers and the development of a new advanced automation system which will include a new software system and a new display console system called the controller sector suite. One of the major payoffs from this program will be increased productivity.

Development was completed on a new secondary surveillance radar system called mode S, with an integral data link, to replace the existing air traffic control radar beacon system.

Procurement of a new solid state terminal radar—ASR-9—with a weather channel was initiated. This will replace old, vacuum tube equipment designed in the 1950's, enhance reliability, reduce maintenance, et cetera.

WEATHER PROGRAM

In conjunction with the Departments of Defense and Commerce, development of a new generation weather radar, NEXRAD, to provide hazardous weather data to pilots and controllers was initiated.

Procurement documentation was completed for the new microwave landing system which will eventually replace the existing instrument landing system.

Requests for proposals for the host computer were released in December of 1982. Those proposals are now in.

CBO REVIEW OF NASP

The Congressional Budget Office has recently completed an economic appraisal of the national airspace system plan. Dr. Rivlin in her statement last week stated that:

> System modernization seems to be overdue and the FAA's national airspace system plan appears to offer the Nation good value for its money. This conclusion holds even after allowing for a wide band of uncertainty in some of the plan's underlying assumptions.

PREPARED STATEMENT

Mr. Chairman, I request that Dr. Rivlin's full statement be inserted for the record.

Senator ANDREWS. Without objection, it will be included in the record.

[The statement follows:]

STATEMENT OF ALICE M. RIVLIN

Mr. Chairman, I am pleased to appear before your Committee to discuss CBO's economic appraisal of the National Airspace System Plan of the Federal Aviation Administration (FAA)--a multi-billion dollar long-range capital program to modernize and expand the nation's air traffic control system. Funding for the first five years of the program was authorized under the Airport and Airway System Development Act of 1982, and the Congress now faces major decisions regarding the appropriation of these investment dollars.

The weight of technical opinion is that we must modernize the nation's air traffic control infrastructure. The economic question is how and when to do this. Our appraisal indicates that, if fully implemented, the FAA plan offers the nation a sound economic investment. Indeed, such an investment appears overdue. The cost effectiveness of the plan, however, depends on organizational changes in the FAA, including a consolidation of facilities and a reduction in staff. In the past, such changes have been of great concern to the Congress, the FAA work force, and aviation interests. Failure to follow through with these changes could result in investment costs that exceed benefits to the FAA.

My remarks this morning will cover three topics:

- Flaws in the current air traffic control system;
- The FAA plan and its major assumptions; and
- Our economic analysis of the effect that errors in the FAA assumptions might have on the plan.

FLAWS IN THE CURRENT SYSTEM

The Federal Aviation Administration's first responsibility in operating the nation's air traffic control system is to ensure the safe and efficient movement of planes. Today the system is a blend of several generations of technologies and equipment, much of which is labor intensive and obsolete

by modern standards. Indeed, the present equipment was designed to be most efficient at air traffic volumes below today's level and below the level projected for the future. This system has been adequate to assure that air transportation remains a very safe means of travel. But limitations in the system already cause delays for air travellers, as well as very high operating and maintenance costs for the FAA. As the skies become more crowded in the future, the present system may not be able to maintain the highest standards of safety, and costs can be expected to grow disproportionately.

THE FAA PLAN: ITS AIMS AND ASSUMPTIONS

The FAA plan would automate and consolidate the air traffic control system. Through automation, it would increase traffic handling capacity, diminish the risk of mid-air collision and other hazards, and reduce flight times by allowing aircraft to use more direct routes. Through facility consolidation and staff reductions, the plan would reduce operating and maintenance costs. The present 25 en-route navigation centers and 188 airport approach facilities would be consolidated into about 30 facilities by the year 2000. In addition, the 317 flight service stations would be reduced to 61 by the year 2000. Staffing would be reduced accordingly, from its authorized level of 37,122 in 1983 to 30,200 in 1985, and to 24,200 by the turn of the century. (The current FAA work force of about 33,700 is some 9 percent below its authorized strength because of the lingering effects of the air traffic controller strike.)

Key Assumptions

As with any long-range investment, the estimated benefits and costs of the project hinge on a number of assumptions and forecasts about the future. The major assumptions that underlie the FAA plan include:

- An ability to consolidate facilities and thus achieve significant savings in operating costs;

- Continued rapid growth in air traffic;
- No cost overruns;
- Little likelihood of early technological obsolescence; and
- Cost-effectiveness for each element of the plan.

Based on these assumptions, the FAA has projected that its plan would save the federal government $25 billion (in 1982 dollars) between 1982 and the year 2000--about two-thirds of the total benefits it expects from the plan (see Appendix Table A). The remaining one-third of the benefits would accrue to the airlines and general aviation users in the form of lower operating costs and reduced delays. No attempt was made to place a dollar value on the increases in safety expected from the plan.

The FAA estimates the major cost of modernization at $10.7 billion in 1982 dollars (see Appendix Table B). Most of this cost--about 83 percent--represents direct federal investment in computer hardware and software improvements and in other equipment. The remainder represents investment expense for the airline industry and general aviation users, who would need to purchase compatible cockpit equipment (transponders and other avionics equipment).

Based on these benefit and cost projections, the CBO calculates that the annual rate of return to be expected from the National Airspace System Plan over the next 20 years is 24.3 percent--a healthy return by any standards (see Table 1). Indeed, compared with the commonly used (though somewhat arbitrary) standard of 10 percent set by the Office of Management and Budget (OMB) for federal investment, the FAA plan appears to represent very good value. Another useful guide to the economic value of a capital project is the present value of the expected benefits minus the costs. Using FAA assumptions, and 10 percent as the discount rate to adjust future costs and benefits to their present-day values, the benefits of the FAA plan are estimated to exceed its costs by $9.1 billion.

When should modernization begin? One index of whether a project is well timed is how long the nation must wait before the investment begins to pay off. A long waiting period means that success of the plan hinges on ever more distant forecasts, and such distant forecasts inevitably tend toward speculation. Based on the FAA estimates of costs and benefits, the plan would begin to pay for itself (that is, achieve a 10 percent or greater rate of return) within the next five years. This would suggest minimum risk in going ahead with the project now.

TABLE 1. ECONOMIC EVALUATION OF THE NATIONAL AIRSPACE SYSTEM PLAN UNDER ALTERNATIVE ASSUMPTIONS

Assumption	Annual Rate of Return (in percent)	Discounted Benefits Minus Discounted Costs (in billions of dollars) a/	Ratio of Benefits to Costs a/
FAA Assumptions	24.3	9.1	2.3
FAA Operating Cost Savings Delayed Five Years	13.9	3.1	1.5
FAA Operating Cost Savings of Half Those Assumed by FAA b/	9.1	-0.4	0.9
Traffic Forecasts Under "Maturity Scenario"	21.3	6.8	2.0
Cost Overrun of 25 Percent, with Maturity Scenario	17.1	5.0	1.6
Technological Obsolescence by the Mid-1990s, with Maturity Scenario	16.5	2.1	1.3

a. All benefits and costs are discounted to their present (1982) values at the rate of 10 percent per year. The analysis period is 1982 to 2005.

b. This line includes only federal investment costs, and federal benefits in the form of savings in FAA operating costs. It excludes avionics costs to airlines and general aviation users, as well as direct benefits to them.

EFFECT ON THE PLAN OF ERRORS IN THE FAA ASSUMPTIONS

The foregoing conclusions are, of course, only as valid as the assumptions and forecasts upon which they are based, and these cannot be absolutely certain. Thus, it is useful to look at what could happen to the plan if things do not go as assumed.

Savings in Operating and Maintenance Costs

The FAA projects savings of $25 billion (in 1982 dollars) in operating and maintenance costs over the next 20 years. These savings depend critically upon the closure of hundreds of manned facilities, and a reduction of 14,800 in the number of FAA employees, or 40 percent of the authorized work force level. Such changes have encountered opposition in the past in the Congress and among labor and aviation groups. If this reluctance delayed the changes this time by as much as five years, the project overall would still be worthwhile--with a rate of return of 13.9 percent; however, the project would take longer to pay off, and the Congress would be relying on more distant, and thus more speculative, forecasts to achieve an acceptable return on its investment.

If reluctance to make organizational changes wiped out half the total projected savings in operating costs, then the FAA would actually lose money by implementing the plan. That is, the discounted federal investment costs would exceed the discounted savings in FAA operating and maintenance costs (Table 1).

Growth in Air Traffic

Modernization can yield sizable gains in efficiency independent of traffic growth. But if FAA's traffic forecasts should prove to be too high,

benefits overall would be lower than anticipated. Past FAA forecasts of the long-range growth in air traffic have, in fact, been too high. This has led some Congressional agencies (such as the General Accounting Office and the Office of Technology Assessment) to question whether the FAA plan is well founded. The CBO has evaluated the FAA forecasts from two perspectives--FAA's past forecasting performance, and an analysis of recent trends.

Past Forecasting Performance. In the past, the FAA's long-range projections have averaged 50 percent or more above actual air traffic (see Appendix Table C). In 1968, for example, the FAA forecast 61 percent more aircraft using en-route navigation services in 1980 than actually occurred, 33 percent more take-offs and landings, and 63 percent more aviation fuel consumption. The last verifiable long-range forecast was made in 1970, however, and there is reason to expect that some improvements have been made. An examination of the FAA's medium-term (five-year) projections shows substantially more accurate results. Nevertheless, FAA's forecasts of general aviation traffic--which represents about 65 percent of anticipated future growth--have been somewhat less accurate than its forecasts of total civilian aircraft traffic. (See Appendix Table C.)

Alternative Trend Interpretations. The FAA's forecasts assume that the relationship between the growth in air traffic and in the economy as a whole will continue as it has in the past. CBO's statistical analysis of recent trends suggests the possibility that the demand for aviation services could mature and grow at a slower rate than that assumed by the FAA, because of gradually diminished demand for air travel and for privately owned airplanes. Similar cycles have affected other markets such as that for automobiles. Under such a "maturity scenario" (see Figures 1 and 2), aviation activity would fall below FAA projections by 11 percent in 1987 and 30 percent in the year 2000.

FIGURE 1

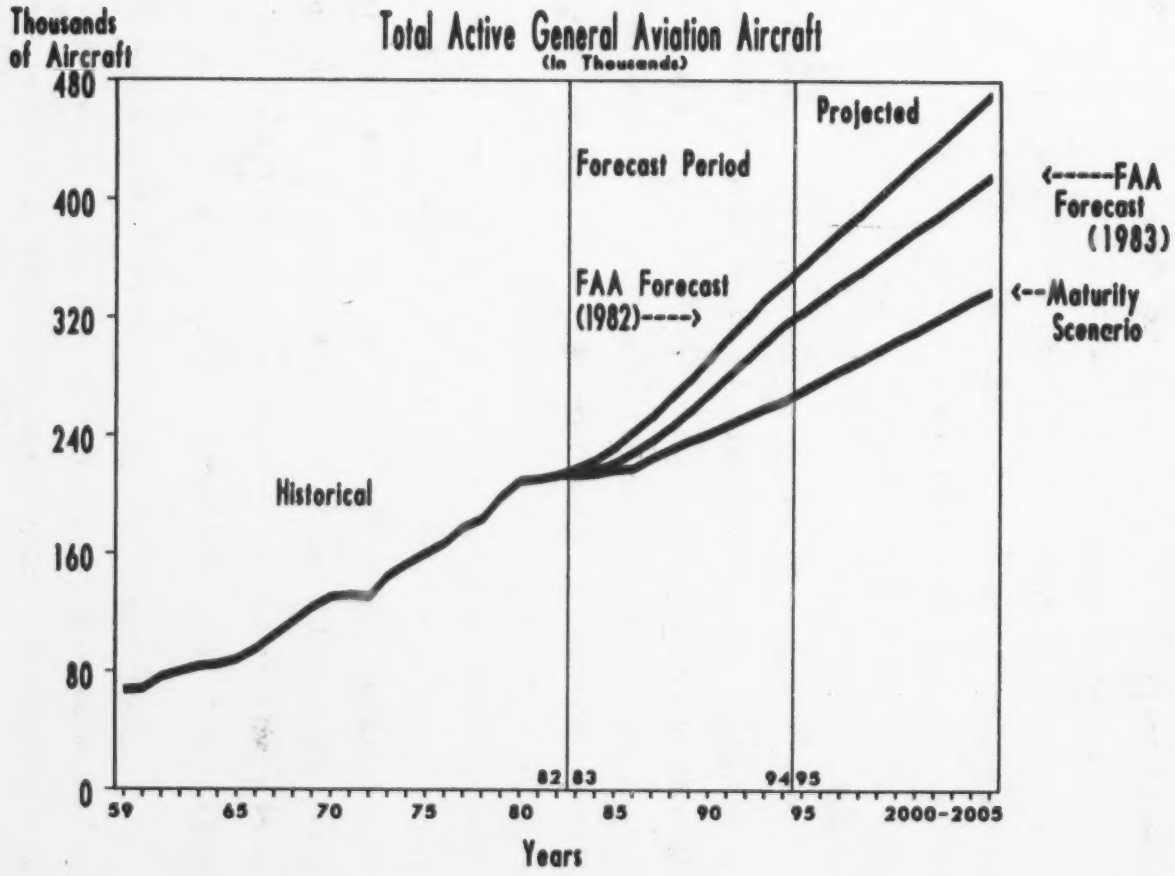
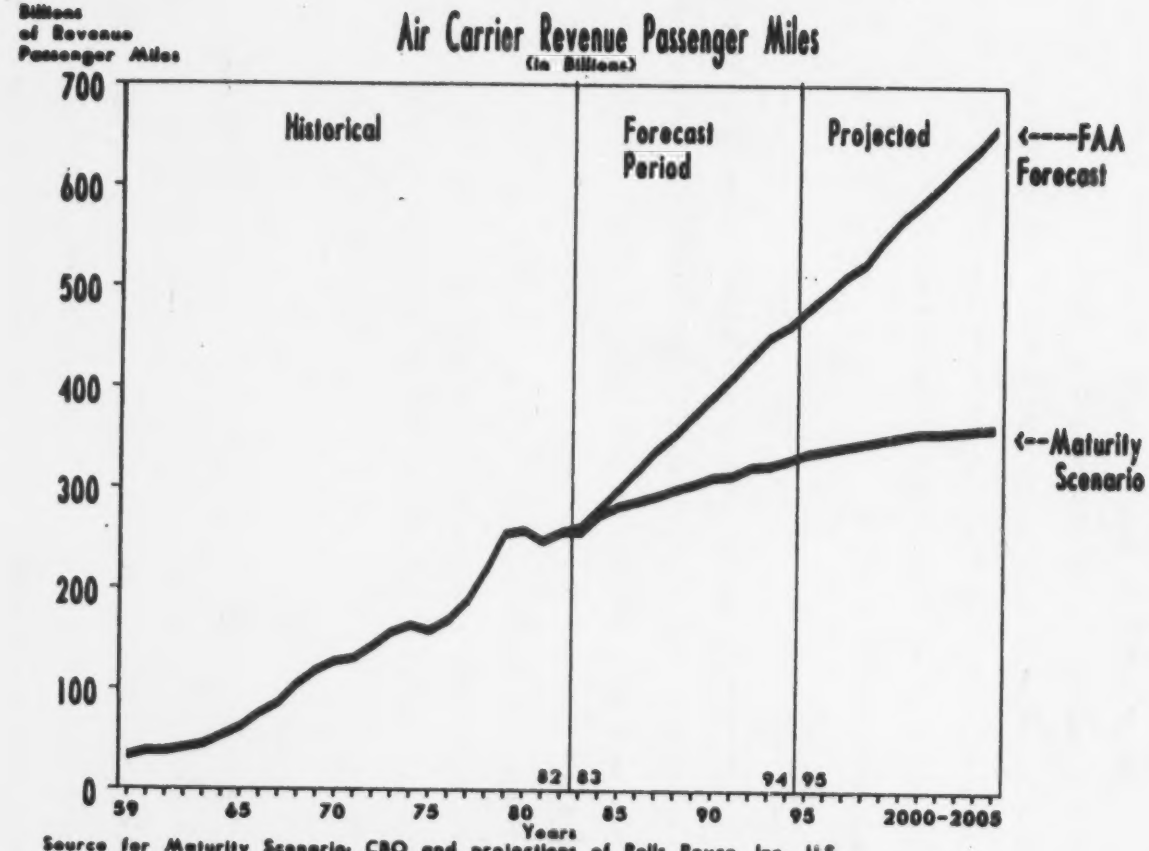

Thousands of Aircraft
Total Active General Aviation Aircraft
(In Thousands)
480
400
320
240
160
80
0
Projected
Forecast Period
FAA Forecast (1982)---->
Historical
<-----FAA Forecast (1983)
<--Maturity Scenario
82
83
94
95
59
65
70
75
80
85
90
95
2000-2005
Years

FIGURE 2



Source for Maturity Scenario: CBO and projections of Rolls Royce, Inc., U.S. Airlines Indicators and Projections, July, 1981.

Effect on the Plan. Even under the slower growth predicted by a "maturity scenario," the overall annual rate of return of the FAA plan would exceed 20 percent, and discounted benefits would exceed discounted costs by about $6.8 billion (see Table 1). This is because system modernization and consolidation would yield sizable savings in FAA operating costs even if there were no growth in traffic.

Cost Overruns

Although CBO has not made a detailed assessment of FAA's cost estimates, cost overruns are common in both private and public investments. Higher costs would diminish the value of the FAA plan, but the overruns would have to be quite large to cause its economic failure. For example, a 25 percent cost overrun would still yield net benefits of $5 billion, even with lower traffic than forecast. In fact, capital costs would need to double before the costs would exceed the benefits, even with the lower traffic forecasts.

Technological Obsolescence

Another risk common to projects of this type is that technological developments may render the new facilities obsolete before their full benefits have been realized. Although the FAA plan calls for the introduction of state-of-the-art computer hardware and software technology, rapid technological developments could make such equipment obsolete before the end of its currently planned economic life--just as some of the FAA's current equipment is now being phased out before the end of its designed life. From an economic point of view, however, the CBO analysis indicates that the FAA plan is reasonably safe from the risks of technological obsolescence. Even under lower traffic forecasts, if the equipment were to be replaced again in the mid-1990s (rather than in the early 21st century as planned), net benefits would still be positive--somewhat over $2 billion.

While this is below the $9 billion of benefits under the FAA assumptions, it remains an acceptable investment with an annual rate of return of about 16 to 17 percent.

Cost-Effectiveness of Different Components of the Plan

Although the FAA plan as a whole appears to offer the nation a good return for its money, questions might be raised about individual components of it. One important part of the FAA plan is the $2.3 billion Microwave Landing System (MLS)--a new instrument landing device that allows shorter flight times by reducing the approach path for incoming aircraft. The value of the MLS system depends on the monetary value assigned to reduced delay. Time is an economic resource, in the sense that delay reduces time spent in productive work or other activities, and the value that air passengers place on their time would determine their willingness to pay for the introduction of the MLS system through ticket taxes and other user fees.

The FAA has valued time at 100 percent of a person's hourly earnings, and on this basis the net benefits of MLS total $583 million. Research indicates, however, that people may value their time at as little as 30 percent of their hourly earnings. If that lower value were assumed, MLS would lose $177 million since discounted costs would exceed discounted benefits by that amount. Under such an assumption, selective application of MLS rather than system-wide implementation might be considered. It should be added, however, that not all of the potential safety and environmental benefits of MLS can be quantified.

CONCLUSION

System modernization seems to be overdue, and the FAA's National Airspace System Plan appears to offer the nation good value for its money. This conclusion holds even after allowing for a wide band of uncertainty in some of the plan's underlying assumptions. The Congress will need to ensure, however, that the potential savings in FAA operating costs are

actually achieved. The closure of hundreds of facilities and a substantial reduction in the work force will be necessary to guarantee the success of this $11 billion investment.

APPENDIX A. FEDERAL AVIATION ADMINISTRATION ESTIMATES OF THE BENEFITS FROM THE NATIONAL AIRSPACE SYSTEM PLAN (In millions of 1982 dollars)

	Total Benefits, 1983-2005		Net Present Value with 10 Percent Discount Rate	
	In Dollars	As Percent of Total	In Dollars	As Percent of Total
Savings in FAA Operating Costs from Increased Productivity	37,085 a/	62.2	10,639	66.5
Savings in Fuel From Transponders and TCAS b/				
Air carriers	11,290	18.9	2,622	16.4
General aviation	5,070	8.5	1,127	7.0
Savings From Microwave Landing System				
Improved safety	279	0.5	77	0.5
Reduced disruptions	2,521	4.2	655	4.1
Reduced outages	240	0.4	69	0.4
Reduced ground and air restrictions	1,994	3.3	500	3.1
Reduced path length	1,118	1.9	298	1.9
Total	59,595	100.0	15,987	100.0

a. The FAA estimates that savings in operating costs would total $25 billion by the year 2000. The CBO has projected another five years of savings for analytic purposes. However, the discounting of future costs makes this difference of very little significance.

b. TCAS = Traffic Alert and Collision Avoidance System.

APPENDIX B. FEDERAL AVIATION ADMINISTRATION ESTIMATES OF THE COSTS OF IMPLEMENTING THE NATIONAL AIRSPACE SYSTEM PLAN (In millions of 1982 dollars)

	Total Cost 1983-2005		Net Present Value with 10 Percent Discount Rate	
	In Dollars	As Percent of Total	In Dollars	As Percent of Total
Federal Investments	7,646	71.7	5,730	82.7
Avionics Costs to Users				
Transponders and TCAS a/	2,420	22.7	879	12.7
Microwave landing system	592	5.6	321	4.6
Total	10,658	100.0	6,930	100.0

a. TCAS = Traffic Alert and Collision Avoidance System.

APPENDIX C. ACCURACY IN FAA FORECASTS OF THE NUMBER OF AIRCRAFT HANDLED AT TRAFFIC CONTROL CENTERS (Twelve-year and five-year errors, as percent above or below actual)

Year in Which Forecast Was Made	Total Civilian Aircraft		General Aviation		Air Carriers a/	
	Twelve Years	Five Years	Twelve Years	Five Years	Twelve Years	Five Years
1966	24.7 b/	3.0	30.4	23.7	21.9	-3.1
1967	61.0	32.2	67.1	38.5	57.7	30.3
1968	60.6	25.4	95.5	26.1	41.8	25.2
1969	64.0	24.7	89.9	15.7	49.4	28.1
1970	74.9	17.2	185.3	30.9	23.1	11.7
1971	---	7.6	---	43.3	---	-8.0

a. Includes air taxi.

b. For example, the 1966 forecast of total aircraft to be handled 12 years later (1978) turned out to be 24.7 percent too high.

Year in Which Forecast Was Made	Total Civilian Aircraft		General Aviation		Air Carriers	
	Twelve Years	Five Years	Twelve Years	Five Years	Twelve Years	Five Years
1972	---	10.2	---	43.5	---	-5.5
1973	---	1.3	---	15.4	---	-5.8
1974	---	-1.2	---	-9.1	---	3.1
1975	---	-1.2	---	-11.2	---	4.2
1976	---	8.5	---	11.2	---	7.6
1977	---	23.8	---	50.1	---	11.3

MANAGEMENT OF THE NAS

Mr. HELMS. As regards how the FAA will manage the NAS plan, FAA will use industry expertise to assist in the systems engineering, integration and implementation of the NAS plan. We are currently working on the final statement of work for such a contract.

The systems contractor will carry out the systems engineering and integration associated with the NAS plan projects. However, overall management of the program will be provided within FAA, primarily by its career management personnel.

FAA has recently completed the NAS plan update and copies have been provided to the committee. There are two fairly major changes contained in this version of the plan.

AREA CONTROL FACILITIES

The first is area control facilities, or ACF. The plan now envisions—during the 1990's—an evolution from today's mix of terminal and en route radar control facilities into 23 ACF's. Each ACF will be configured based primarily on traffic flows through large geographic areas, but responsive to the individual needs of that area. The distinction between en route and terminal control will be eliminated and the function of radar control will be performed by the ACF. Air traffic towers will continue to exist at those airports which qualify to assume control from the ACF for the final landing sequence.

MODE S TRANSPONDERS

The second significant change involves mode S transponders. Originally, consideration of mandatory carriage of beacon transponders was proposed. However, my current assessment is that overall system considerations would be better served by:

1. Requiring that all beacon transponders manufactured after a specific date in 1986 be mode S compatible; and

2. Deferring the mandatory carriage of beacon transponders. If traffic population presently forecast does not occur, then carriage may not be mandatory.

FSS MODERNIZATION PLAN

Congress approved FAA's flight service station modernization plan in 1980 and appropriated funds in fiscal years 1981, 1982, and 1983 to implement it. The hardware contract has been let and we expect to take first delivery in January 1984. The private sector has responded most favorably to our need for buildings; 15 sites have been selected to date, with highly beneficial cost savings to U.S. taxpayers. We expect to have all 61 locations identified by the close of calendar year 1984.

FISCAL YEAR 1984 BUDGET ESTIMATE

The FAA fiscal year 1984 budget estimate requests budget authority of $5.038 billion and 48,968 direct, full-time permanent positions. This represents an increase of $850 million and a decrease of 422 direct, full-time permanent positions over the levels authorized by Congress last year.

This budget contains resources needed to assure the continued safe and efficient operation of the national airspace system and the continued recovery from the illegal air traffic controller strike of August 3, 1981. Significantly higher funding levels are proposed for the second year of the previously authorized multiyear program to modernize and improve air traffic control and airway facilities, and for airport improvement grants.

Our fiscal year 1984 request for the F&E program totals $1 billion and represents the second year of funding for the national airspace system plan initially released in December 1981. The significantly increased funding level contained in this budget, as supported by the NAS plan, provides for continued system improvement including safety, capacity, and efficiency.

We request $286 million to fund FAA's research, engineering and development activities. This request is predominantly for the advanced automation program, including the host computer, sector suite development, and the design of a new software system.

PREPARED STATEMENT

I ask that the full statement be submitted, Mr. Chairman. My staff and I will now be prepared to answer your questions.

Senator ANDREWS. Your full statement, of course, will be included as though given in its entirety

[The statement follows:]

STATEMENT OF J. LYNN HELMS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I AGAIN WELCOME THE OPPORTUNITY TO APPEAR BEFORE YOU TO PRESENT THE FEDERAL AVIATION ADMINISTRATION'S BUDGET REQUEST FOR FISCAL YEAR 1984. IN FACT, IT IS A PLEASURE RATHER THAN A CHORE BECAUSE YOU NOT ONLY UNDERSTAND OUR ROLE AND MISSION BUT YOU SPEAK OUR LANGUAGE. THIS BUDGET REFLECTS MY BEST JUDGMENT AS TO THE RESOURCES NEEDED TO CONTINUE MODERNIZATION, IMPROVEMENT, MAINTENANCE, AND OPERATION, INCLUDING REGULATORY AND ADMINISTRATIVE FUNCTIONS, OF AN AIRPORT AND AIRWAY SYSTEM WHICH WILL BE RESPONSIVE TO ALL USERS NOW AND IN THE FUTURE.

FOR FISCAL YEAR 1984, WE REQUEST $5.0 BILLION IN BUDGET AUTHORITY, AN INCREASE OF $850 MILLION OVER FISCAL YEAR 1983. THIS INCREASE WILL BE FINANCED PRIMARILY FROM USER FEES FLOWING INTO THE AIRPORT AND AIRWAY TRUST FUND. APPROXIMATELY 67 PERCENT OF FAA'S BUDGET WILL BE FINANCED FROM USER TAXES.

THE PROPOSED FUNDING LEVEL WILL ASSURE THE CONTINUED SAFE AND EFFICIENT OPERATION OF THE NATIONAL AIRSPACE SYSTEM AND THE CONTINUED RECOVERY FROM THE ILLEGAL AIR TRAFFIC CONTROLLER STRIKE OF AUGUST 3, 1981. SIGNIFICANTLY HIGHER FUNDING LEVELS ARE PROPOSED FOR THE SECOND YEAR OF THE PREVIOUSLY AUTHORIZED MULTI-YEAR PROGRAM TO MODERNIZE AND IMPROVE AIR TRAFFIC CONTROL AND AIRWAY FACILITIES, AND FOR AIRPORT IMPROVEMENT GRANTS.

PERMIT ME TO DIGRESS FROM THE BUDGET FOR A MOMENT TO EXPRESS MY VIEWS ON THE FAA AND ITS PERSONNEL. SINCE I CAME ON BOARD, I HAVE VISITED HUNDREDS OF FAA INSTALLATIONS TO OBSERVE OUR PEOPLE AT WORK IN THE FACILITIES AND HEADQUARTERS. FOURTEEN OF THE LAST SEVENTEEN WEEKENDS HAVE BEEN SPENT AT FAA FACILITIES. I CONTINUE TO BE IMPRESSED BY THE MOTIVATION AND DEDICATION DISPLAYED BY OUR PERSONNEL, WELL-TRAINED AND WITH A STRONG SENSE OF RESPONSIBILITY FOR OUR MISSION AND THE EFFICIENCY WITH WHICH WE ACCOMPLISH IT.

NOW, MR. CHAIRMAN, I WILL HIGHLIGHT SOME OF THE MORE SIGNIFICANT ACCOMPLISHMENTS ACHIEVED IN THE PAST YEAR LARGELY THROUGH SUPPORT AND RESOURCES PROVIDED BY THE CONGRESS.

AIR TRAFFIC STRIKE RECOVERY

I AM PLEASED TO REPORT THAT THE AIR TRAFFIC CONTROL SYSTEM IS NOW CAPABLE OF HANDLING 100 PERCENT OF PRE-STRIKE NATIONAL SYSTEM TRAFFIC LEVELS. EXISTING RESTRICTIONS TO TRAFFIC WILL BE REDUCED OR LARGELY ELIMINATED BY DECEMBER 1983. WE WILL, HOWEVER, CONTINUE TO USE PRE-STRIKE FLOW-CONTROL METHODS AND OTHER MEASURES TO PREVENT EXCESSIVE TRAFFIC BUILDUP DURING PEAK HOURS. ADDITIONALLY, SOME STAFF AND SUPERVISORY PERSONNEL WILL CONTINUE TO CONTROL TRAFFIC UNTIL JULY OF 1984 AT WHICH TIME WE WILL HAVE SUFFICIENTLY QUALIFIED PERSONNEL

ON BOARD SO THAT SUPERVISORY PERSONNEL MAY RETURN TO THEIR NORMAL DUTIES.

- CONTROLS NOW IN EFFECT AT 18 MAJOR AIRPORTS (INITIALLY AT 23) INVOLVING ALLOCATED SLOTS OR RESERVATIONS TO LAND DURING DESIGNATED HOURS, WILL BE REDUCED TO 11 AIRPORTS BY AUGUST 1983. PHASEOUT PLANS FOR THESE REMAINING 11 WILL BE ANNOUNCED LATER.

- RESTRICTIONS ON EN ROUTE OPERATIONS EMANATING FROM OUR 20 TRAFFIC CONTROL CENTERS ARE BEING LIFTED IN TWO STEPS:

  - THIRTEEN CENTERS HAVE ALREADY DROPPED RESTRICTIONS ON FLIGHTS WITHIN CENTER BOUNDARIES. THE REMAINING 7 WILL FOLLOW SUIT BY END AUGUST.

  - FLIGHTS BETWEEN CENTER AREAS HAVE BEEN SUBJECT TO RESTRICTIONS WHICH ARE BEING PHASED OUT BASED ON CENTER GROUPINGS, AND FURTHER PHASE-OUT WILL PROCEED THROUGH THE REMAINDER OF THE YEAR.

- ON APRIL 24 CAPACITY WILL BE INCREASED BY AN EXPANSION OF FAA'S "TOWER EN ROUTE CONTROL PROGRAM" TO ESSENTIALLY ALL METROPOLITAN AREAS AND NEARLY 2,000 PUBLISHED ROUTES. THIS RELIEVES THE BURDEN ON CENTERS BY PROVIDING EXCLUSIVE CONTROL ON CERTAIN ROUTES THROUGH TERMINAL (TOWER) FACILITIES.

* IT IS VERY IMPORTANT FOR THE COMMITTEE TO BE AWARE THAT AT EVERY REVIEW FOR FURTHER RELAXATION, I HAVE CONSISTENTLY HELD DOWN FULL USE OF PROJECTED CAPACITY. THAT IS, OUR AIR TRAFFIC PEOPLE HAVE EACH TIME SHOWED ME THEIR PROJECTED CAPACITY AND I HAVE REDUCED THE FIRST LEVEL TO PROVIDE ALSO FOR WEATHER, TRAINING, VACATIONS, SEPARATIONS, ETC. WE ARE IN NO WAY RUSHING THE SYSTEM TO ITS FULL CAPACITY.

HUMAN RELATIONS PROGRAM

A BROAD-BASED HUMAN RELATIONS PROGRAM IS UNDERWAY TO HELP IMPROVE MANAGEMENT/EMPLOYEE RELATIONS. A KEY ELEMENT IN THIS PROGRAM IS A HUMAN RELATIONS POLICY COMMITTEE, WHICH I CHAIR. IT IS COMPOSED OF SENIOR AGENCY OFFICIALS, AND IT ASSISTS ME IN PLANNING FOR IMPROVED RELATIONS. WE HAVE ALSO APPOINTED HUMAN RESOURCE SPECIALISTS FOR EACH OF OUR REGIONS, CENTERS, AND WASHINGTON HEADQUARTERS.

ADDITIONALLY, THE FACILITY ADVISORY BOARD CONCEPT HAS BEEN EXPANDED TO INCLUDE NOT ONLY MAJOR ATC FACILITIES BUT ALSO OTHER ELEMENTS OF THE AGENCY WITH THE ESTABLISHMENT OF HUMAN RELATIONS COMMITTEES. THESE ELECTED COMMITTEES PROVIDE EMPLOYEES WITH A VEHICLE FOR BETTER TWO-WAY COMMUNICATION AMONG ALL LEVELS OF MANAGEMENT. FINALLY, THE CRITERIA FOR SELECTING AND RATING SUPERVISORS AND MANAGERS WAS REVISED TO PLACE MORE EMPHASIS ON HUMAN RELATIONS AND INTERPERSONAL SKILLS.

THIS PROGRAM IS THE BEGINNING OF A LONG RANGE AGENCY EFFORT BASED ON THE PRINCIPLE THAT THE PEOPLE OF FAA ARE THE FAA.

AIRWAY SCIENCE PROGRAM

AN AIRWAY SCIENCE CURRICULUM, INITIATED IN APRIL 1981 AND COMPLETED IN 1982 BY THE FAA WITH ASSISTANCE FROM THE UNIVERSITY AVIATION ASSOCIATION, WAS CIRCULATED TO SOME 150 COLLEGES AND UNIVERSITIES. THIS CURRICULUM EMPHASIZES AVIATION, ELECTRONICS, MANAGEMENT, AND SCIENCE COURSES AT THE UNDERGRADUATE LEVEL. MORE THAN 40 SCHOOLS HAVE EXPRESSED INTEREST IN ESTABLISHING SUCH A CURRICULA OR INDICATED THAT THEY HAD CURRICULA WHICH WOULD MEET THESE REQUIREMENTS. THIS PROGRAM WAS SUBMITTED TO THE OFFICE OF PERSONNEL MANAGEMENT AS A DEMONSTRATION PROJECT, AND WE RECEIVED TENTATIVE

APPROVAL IN JANUARY 1983. OPM HAS SUBMITTED THE PLAN TO CONGRESS FOR REVIEW AND HAS PUBLISHED IT IN THE MARCH 18, 1983, FEDERAL REGISTER FOR PUBLIC COMMENTS. THE PROGRAM WILL MEET ONE OF MY MAJOR GOALS--TO PROVIDE NEW EDUCATION AND COMMUNICATIONS SKILLS FOR PEOPLE NEEDED IN THE FUTURE TO MEET THE TECHNOLOGICAL AND MANAGERIAL DEMANDS FACING THE FAA AND THE AVIATION INDUSTRY. THE FIRST GRADUATES WILL BE AVAILABLE IN THE SPRING OF 1984 FROM THE UNIVERSITY OF NORTH DAKOTA.

WEATHER PROGRAM

TO PROVIDE A FOCUS FOR FAA'S WEATHER-RELATED ACTIVITIES, I HAVE DESIGNATED MR. NEAL BLAKE, THE DEPUTY ASSOCIATE ADMINISTRATOR FOR DEVELOPMENT AND LOGISTICS, PROGRAM MANAGER. IN ITS SHORT TIME, HIS ORGANIZATION:

- HAS CARRIED OUT CONGRESSIONAL MANDATES TO DOUBLE THE NUMBER OF LOW LEVEL WIND SHEAR SENSORS AT NEW ORLEANS AND TO COMMISSION A NATIONAL ACADEMY OF SCIENCES STUDY ON LOW LEVEL WIND SHEAR AND HAZARDS TO AVIATION.

- ARE CONSOLIDATING CURRENT WEATHER ISSUES AND NWS/FAA PLANS, SO THAT SHORTCOMINGS CAN BE IDENTIFIED AND PROGRAMS MODIFIED WHERE NECESSARY.

- ARE MEETING WITH USER GROUPS TO IDENTIFY PROBLEMS AND POSSIBLE SOLUTIONS.

- PREPARING A WEATHER PLAN THAT PARALLELS THE DEVELOPMENT OF THE NATIONAL AIRSPACE SYSTEM PLAN.

THE NATIONAL AIRSPACE SYSTEM PLAN
BUILDING FOR THE FUTURE

SELECTED HIGHLIGHTS OF 1982 ACHIEVEMENTS AND ACTIVITIES RELATED TO THE NATIONAL AIRSPACE SYSTEM (NAS) PLAN ARE SUMMARIZED BELOW.

- PASSAGE OF THE AIRPORT AND AIRWAY IMPROVEMENT ACT OF 1982 AUTHORIZED SIGNIFICANTLY HIGHER FUNDING LEVELS NEEDED TO COMPLETE THE PLAN.

- THE NAS PLAN TO UPGRADE, MODERNIZE, AND CONSOLIDATE THE NATION'S AIR TRAFFIC CONTROL SYSTEM WAS APPROVED. THIS CAPITAL MODERNIZATION EFFORT INVOLVES 97 PROGRAMS AT AN ESTIMATED COST OF $9 BILLION THROUGH 1990.

- THE ADVANCED AUTOMATION PROGRAM OFFICE WAS ESTABLISHED. THIS OFFICE WILL CONCENTRATE ON THE REPLACEMENT OF THE EXISTING 9020 COMPUTERS IN CENTERS AND THE DEVELOPMENT OF A NEW ADVANCED AUTOMATION SYSTEM WHICH WILL INCLUDE A NEW SOFTWARE SYSTEM, AND A NEW DISPLAY CONSOLE SYSTEM CALLED THE CONTROLLER SECTOR SUITE. ONE OF THE MAJOR PAYOFFS FROM THIS PROGRAM WILL BE INCREASED PRODUCTIVITY.

- A REORGANIZATION MERGED THE ENGINEERING FUNCTIONS OF FAA INTO ONE OFFICE. THE NEW ORGANIZATION IS BASED ON THE "PROGRAM MANAGER" CONCEPT, FOCUSING SINGLE-POINT RESPONSIBILITY AND ACCOUNTABILITY FOR ALL PHASES OF NAS MODERNIZATION INCLUDING RESEARCH, DEVELOPMENT, ENGINEERING, IMPLEMENTATION, AND MAINTENANCE.

- DEVELOPMENT WAS COMPLETED ON A NEW SECONDARY SURVEILLANCE RADAR SYSTEM CALLED MODE S, WITH AN INTEGRAL DATA LINK, TO REPLACE THE EXISTING AIR TRAFFIC CONTROL RADAR BEACON SYSTEM.

- PROCUREMENT OF A NEW SOLID STATE TERMINAL RADAR (ASR-9) WITH A WEATHER CHANNEL WAS INITIATED. THIS WILL REPLACE OLD, VACUUM TUBE EQUIPMENT DESIGNED IN THE 1950'S, ENHANCE RELIABILITY, REDUCE MAINTENANCE, ETC.

- IN CONJUNCTION WITH THE DEPARTMENTS OF DEFENSE AND COMMERCE, DEVELOPMENT OF A NEW GENERATION WEATHER RADAR (NEXRAD) TO PROVIDE HAZARDOUS WEATHER DATA TO PILOTS AND CONTROLLERS WAS INITIATED. THIS RADAR WILL SERVE THE COMBINED AND DIVERSE REQUIREMENTS OF THE THREE AGENCIES.

- PROCUREMENT DOCUMENTATION WAS COMPLETED FOR THE NEW MICROWAVE LANDING SYSTEM WHICH WILL EVENTUALLY REPLACE THE EXISTING INSTRUMENT LANDING SYSTEM (ILS).

- REQUESTS FOR PROPOSALS (RFP) FOR THE HOST COMPUTER WERE RELEASED IN DECEMBER 1982.

- THE CONGRESSIONAL BUDGET OFFICE HAS RECENTLY COMPLETED AN ECONOMIC APPRAISAL OF THE NATIONAL AIRSPACE SYSTEM PLAN. DR. RIVLIN IN HER STATEMENT LAST WEEK STATED THAT: "SYSTEM MODERNIZATION SEEMS TO BE OVERDUE, AND THE FAA'S NATIONAL AIRSPACE SYSTEM PLAN APPEARS TO OFFER THE NATION GOOD VALUE FOR ITS MONEY. THIS CONCLUSION HOLDS EVEN AFTER ALLOWING FOR A WIDE BAND OF UNCERTAINTY IN SOME OF THE PLAN'S UNDERLYING ASSUMPTIONS."

SYSTEMS CONTRACTOR/MANAGEMENT OF THE NAS PLAN

A TOPIC OF GREAT INTEREST TO CONGRESS, THE WHITE HOUSE SCIENCE COUNCIL, AND INDUSTRY IS HOW FAA WILL USE INDUSTRY EXPERTISE TO ASSIST IN THE SYSTEM ENGINEERING, INTEGRATION, AND IMPLEMENTATION OF THE NAS PLAN. WE ARE CURRENTLY WORKING ON THE FINAL STATEMENT OF WORK FOR SUCH A CONTRACT, AND I HOPE WE CAN AWARD IT BEFORE YEAR-END.

THE SYSTEMS CONTRACTOR WILL CARRY OUT THE SYSTEMS ENGINEERING AND INTEGRATION ASSOCIATED WITH THE NAS PLAN PROJECTS. HOWEVER, FAA WILL RETAIN OVERALL MANAGEMENT OF THE PROGRAM, AND INSTITUTIONAL PROGRAM CONTINUITY WILL BE PROVIDED FROM WITHIN FAA, PRIMARILY BY ITS CAREER MANAGEMENT PERSONNEL.

ROTORCRAFT PROGRAM OFFICE

RECENTLY, WE ESTABLISHED A ROTORCRAFT PROGRAM OFFICE IN RECOGNITION OF THE RAPIDLY GROWING SEGMENT OF THE AVIATION INDUSTRY, GROWTH WHICH FAA IS COMMITTED TO FOSTERING. THIS NEW OFFICE WILL DEVELOP OUR LONG-TERM ROTORCRAFT MASTER PLAN TO GUIDE ALL AGENCY ROTORCRAFT EFFORTS OVER THE NEXT TWO DECADES.

SAFETY RECORD

IN 1982, ACCIDENT STATISTICS IN ALL CATEGORIES OF CIVIL AVIATION GENERALLY CONTINUED LONG-TERM DOWNWARD TRENDS. COMMUTER AIR CARRIERS HAD THEIR SAFEST YEAR IN THE EIGHT YEARS FOR WHICH STATISTICS ARE AVAILABLE. TOTAL ACCIDENTS

DROPPED FROM 33 TO 21, AND FATAL ACCIDENTS FROM 10 TO 4, A DECREASE OF 36 AND 60 PERCENT RESPECTIVELY.

OTHER AIRLINES--CARRIERS OPERATING LARGE AIRCRAFT--HAD A SLIGHTLY HIGHER FATAL ACCIDENT RATE.

GENERAL AVIATION AND ON-DEMAND AIR TAXIS ACHIEVED SUBSTANTIAL REDUCTIONS IN BOTH TOTAL AND FATAL ACCIDENT RATES--AS MUCH AS 17 PERCENT IN THE AIR TAXI FATAL ACCIDENT RATE. GENERAL AVIATION TOTALS WERE 10-YEAR LOWS.

REGULATORY REFORM

IN MY PREVIOUS APPEARANCE BEFORE THIS COMMITTEE, I COMMENTED ON RELIEVING THE REGULATORY BURDEN ON THE AVIATION INDUSTRY AND THE TRAVELING PUBLIC. THIS ONGOING EFFORT TO SIMPLIFY, REDUCE, OR ELIMINATE REGULATIONS TO THE LOWEST LEVEL CONSISTENT WITH SAFETY WILL REDUCE THE COSTS TO THE PUBLIC AND MAKE THE SYSTEM MORE PRODUCTIVE AND RESPONSIVE.

NATIONAL AIRSPACE REVIEW

AIRSPACE STRUCTURE AND REGULATIONS HAVE EVOLVED OVER MANY DECADES. IN JUNE 1982, A NATIONAL AIRSPACE REVIEW WAS INITIATED TO ASSIST IN MAKING THE SYSTEM MORE RESPONSIVE AND EFFICIENT AND TO REEVALUATE AIR TRAFFIC CONTROL SERVICES IN LINE WITH EXISTING OR NEAR-TERM TECHNOLOGICAL IMPROVEMENTS.

A COMMITTEE WAS FORMED FROM FAA AND AVIATION INDUSTRY GROUPS TO REVIEW THE OPERATIONAL USE OF THE NATION'S AIRSPACE AND THE PROCEDURES OF THE AIR TRAFFIC CONTROL SYSTEM. THE PROGRAM HAS 17 WORKING GROUPS COMPOSED OF MEMBERS FROM 22 DIFFERENT ORGANIZATIONS, SEEKING WAYS TO IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF THE SYSTEM FOR CIVIL AND MILITARY FLIGHTS. THE GROUPS ARE EXPLORING VARIOUS METHODS TO UPDATE AND STREAMLINE AIRSPACE STRUCTURE AND OPERATIONAL PROCEDURES, SIMPLIFY REGULATIONS, AND IMPROVE WEATHER AND FLIGHT INFORMATION SERVICES.

THIS REVIEW WILL TAKE APPROXIMATELY 36 MONTHS TO COMPLETE, BUT WE SHOULD START TO SEE SIGNIFICANT ACCOMPLISHMENTS IN THE NEXT 12 MONTHS.

NATIONAL AIRSPACE SYSTEM PLAN UPDATE

THE AIRPORT AND AIRWAY IMPROVEMENT ACT OF 1982 REQUIRES AN ANNUAL UPDATE OF THE NATIONAL AIRSPACE SYSTEM (NAS) PLAN. FAA HAS RECENTLY COMPLETED THAT UPDATE AND COPIES HAVE BEEN PROVIDED TO THE COMMITTEE. THERE ARE TWO MAJOR CHANGES CONTAINED IN THIS VERSION OF THE PLAN. THE FIRST IS AREA CONTROL FACILITIES (ACF). THE PLAN NOW ENVISIONS...DURING THE 1990'S...AN EVOLUTION FROM TODAY'S MIX OF TERMINAL AND EN ROUTE RADAR CONTROL FACILITIES INTO 23 ACF. AIR TRAFFIC CONTROL TOWERS WILL CONTINUE TO EXIST, BUT THE TERMINAL RADAR CONTROL FUNCTION NOW PERFORMED IN TRACONS WILL BE TRANSFERRED TO ACF. EACH ACF WILL BE CONFIGURED BASED PRIMARILY ON TRAFFIC FLOWS THROUGH LARGE GEOGRAPHIC AREAS. THE DISTINCTION BETWEEN "EN ROUTE" AND "TERMINAL" CONTROL WILL BE ELIMINATED, AND THE FUNCTION OF RADAR CONTROL WILL BE PERFORMED BY THE ACF. AIR TRAFFIC TOWERS WILL EXIST AT THOSE AIRPORTS WHICH QUALIFY, TO ASSUME CONTROL FROM THE ACF FOR THE FINAL LANDING SEQUENCE.

EQUIPMENT AT EACH ACF WILL BE IDENTICAL IN TYPE, I.E., SECTOR SUITE, COMPUTERS, COMMUNICATIONS, ETC., IN CONTRAST TO THE PRESENT SYSTEM WHERE THE 9020 COMPUTER IS USED FOR EN ROUTE CONTROL AND ARTS FOR TERMINAL CONTROL. THIS REVISED CONCEPT ALTERS OUR CENTER CONSOLIDATION PLANS WHICH WE DESCRIBED LAST YEAR.

THE SECOND SIGNIFICANT CHANGE INVOLVES MODE S TRANSPONDERS. ORIGINALLY, CONSIDERATION OF MANDATORY CARRIAGE OF BEACON TRANSPONDERS WAS PROPOSED. HOWEVER, MY CURRENT ASSESSMENT IS THAT OVERALL SYSTEM CONSIDERATIONS WOULD BE BETTER SERVED BY:

(1) REQUIRING THAT ALL BEACON TRANSPONDERS MANUFACTURED AFTER A SPECIFIC DATE IN 1986 BE MODE S COMPATIBLE, AND

(2) DEFERRING THE MANDATORY CARRIAGE OF BEACON TRANSPONDERS. IF TRAFFIC POPULATION PRESENTLY FORECASTED DOES NOT OCCUR, THEN CARRIAGE MAY NOT BE MANDATORY.

THIS DECISION WILL PROVIDE FOR A REASONABLE MATCH-UP OF GROUND AND AIRBORNE CAPABILITIES WITHOUT INTRODUCING ANY EARLY SPECIAL EQUIPPAGE REQUIREMENTS ON THE INDUSTRY.

THERE HAVE BEEN SOME OTHER CHANGES IN THE PLAN, MAINLY RELATED TO REFINEMENTS IN SCHEDULES AND QUANTITIES WHICH WILL NOT AFFECT THE OVERALL PLAN IMPLEMENTATION. IN SEVERAL CASES, A SLIPPAGE OF SEVERAL MONTHS IN MAKING A CONTRACT AWARD HAS APPEARED MORE SIGNIFICANT THAN IT REALLY IS, BECAUSE THE THREE MONTHS CROSSES A FISCAL YEAR. HOWEVER, IT IS MERELY A THREE MONTH SLIP. OVERALL, I AM PLEASED THAT WE ARE GENERALLY MAINTAINING THE SCHEDULES AND THE FUNDING PROFILES OF THE PLAN.

SEVERAL OTHER FEATURES OF THE NAS PLAN SHOULD BE NOTED. THESE ARE:

* ADVANCED AUTOMATION--THE HOST REQUEST FOR PROPOSAL (RFP) WAS ISSUED IN DECEMBER OF 1982, PROPOSALS HAVE BEEN RECEIVED, AND WE EXPECT TO AWARD THE DESIGN COMPETITION CONTRACTS IN JULY OF THIS YEAR. THE PRODUCTION AWARD IS PLANNED FOR APRIL OF 1985 AND THE FIRST SYSTEM SHOULD BE DELIVERED IN EARLY 1986.

THE RFP FOR THE ADVANCED AUTOMATION SYSTEMS--NEW SOFTWARE AND SECTOR SUITES--IS SCHEDULED TO BE ISSUED LATE THIS MONTH OR EARLY NEXT MONTH AND THE DESIGN COMPETITION CONTRACT AWARDED IN FEBRUARY 1984. THESE SCHEDULES REFLECT A SLIPPAGE OF 3-9 MONTHS. FRANKLY, THE PROBLEM WAS ONE OF START-UP TIMES--WE SIMPLY UNDERESTIMATED THEM.

* TRAFFIC ALERT AND COLLISION AVOIDANCE SYSTEM (TCAS)-- THIS PROGRAM IS PROCEEDING VERY WELL. THE FINAL DESIGN GUIDELINES FOR TCAS-I WERE ISSUED IN SEPTEMBER OF 1982. THE JOB NOW RESTS WITH INDUSTRY. THE MINIMUM TCAS-II IS ALSO MOVING ALONG. THE MINIMUM OPERATIONAL PERFORMANCE STANDARDS (MOPS) ARE ESSENTIALLY COMPLETE. THE 600 PAGE DOCUMENT PROVIDES A COMPREHENSIVE DESCRIPTION OF THE SYSTEM BASED UPON A THOROUGHLY VALIDATED SURVEILLANCE DESIGN OF THREAT DETECTION AND RESOLUTION LOGIC. WE HAVE IN HAND AN ESTABLISHED INDEPENDENT AIRBORNE COLLISION AVOIDANCE CAPABILITY THAT MEETS THE OPERATIONAL REQUIREMENTS IT WAS DESIGNED FOR. THIS IS A MAJOR

ACCOMPLISHMENT. WE ARE NOW WORKING TO FINALIZE THE OPERATIONAL PROCEDURES TO ACCOMPANY THE IMPLEMENTATION OF THIS SYSTEM. WE WILL HAVE THEM COMPLETED BY THE END OF THIS YEAR. THE ENHANCED VERSION OF TCAS-II IS ALSO PROCEEDING ON SCHEDULE. THE FINAL MOPS FOR IT WILL BE ISSUED IN JANUARY OF 1985. I'M VERY CONFIDENT WE WILL HAVE TCAS OPERATIONAL WELL AHEAD OF MY ORIGINAL TARGETS OF 1984 AND 1985.

MR. CHAIRMAN, THE NATIONAL AIRSPACE SYSTEM PLAN WAS DEVELOPED OVER ONE YEAR AGO AS A COMPREHENSIVE PLAN FOR MODERNIZING AND IMPROVING AIR TRAFFIC CONTROL AND AIRWAY FACILITIES SERVICES FROM THE PRESENT TO THE YEAR 2000. THIS CURRENT EDITION REFLECTS MINOR CHANGES IN SOME PROGRAMS, INCLUDING THE ENGINEERING "FACTS-OF- LIFE" BASED UPON ANOTHER YEAR'S ANALYSIS. IT RESULTS IN A SAFE AND EFFICIENT NATIONAL AIRSPACE SYSTEM, ONE THAT WILL ACCOMMODATE THE INCREASED TRAFFIC FLOW OF THE FUTURE, BUT WITH FEWER PEOPLE AND FACILITIES. BUT, BY AND LARGE, LAST YEAR'S FIRST CUT HAS HELD UP REMARKABLY WELL.

FAA FACILITIES EVOLVED OVER FORTY YEARS TO SATISFY A THEN EXISTING NEED. WE WILL CONTINUE TO SATISFY AIR TRAFFIC AND NAVIGATION NEEDS, BUT THE TECHNOLOGY OF THE 1980'S ALLOWS US TO SATISFY THAT NEED BY ELIMINATING OBSOLETE, UNNEEDED AND DUPLICATIVE FACILITIES AND FACILITIES THAT ARE NOT COST-EFFECTIVE. THE NAS PLAN CHARTS OUR PATH, AND THE FEDERAL GOVERNMENT, THE CONGRESS, AND INDUSTRY HAVE A JOINT RESPONSIBILITY TO ASSURE THE PLAN IS SUCCESSFUL FOR THE BENEFIT OF THE TRAVELING PUBLIC.

FLIGHT SERVICE STATION MODERNIZATION

CONGRESS APPROVED FAA'S FLIGHT SERVICE STATION MODERNIZATION PLAN IN 1980, AND APPROPRIATED FUNDS IN FISCAL YEARS 1981, 1982, AND 1983 TO IMPLEMENT IT. THE HARDWARE CONTRACT HAS BEEN LET AND WE EXPECT TO TAKE FIRST DELIVERY IN JANUARY 1984. THE PRIVATE SECTOR HAS RESPONDED MOST FAVORABLY TO OUR NEED FOR BUILDINGS; 15 SITES HAVE BEEN SELECTED TO DATE, WITH HIGHLY BENEFICIAL COST SAVINGS TO U.S. TAXPAYERS. WE EXPECT TO HAVE ALL SIXTY-ONE LOCATIONS IDENTIFIED BY THE CLOSE OF CALENDAR YEAR 1984.

THE FSS MODERNIZATION PROGRAM CENTRALIZES FLIGHT SERVICES, IN AN ORDERLY MANNER, AT THESE 61 LOCATIONS. SEVENTEEN SETS OF EQUIPMENT WILL BE DELIVERED BY END FY 1984. THE CONGRESS HAS ALLOWED FOR CLOSING UP TO FIVE LOW ACTIVITY FSS'S IN 1983, AND WE ANTICIPATE CLOSING 75 MORE IN 1984. THESE CLOSURES ARE NECESSARY TO PROVIDE THE WORKFORCE - AIR TRAFFIC SPECIALISTS AND ELECTRONIC TECHNICIANS - REQUIRED TO OPERATE AND MAINTAIN THE NEW EQUIPMENT, CONTINUE AN ACCEPTABLE LEVEL OF SERVICE, AND WILL REPRESENT OUR FIRST STEP IN IMPROVING EMPLOYEE PRODUCTIVITY AND SERVICE TO THE PILOT.

AVIATION FORECASTS

FAA'S WORKLOAD, PLANS, AND RESOURCE NEEDS ARE INSEPARABLE FROM AVIATION ACTIVITY. THEREFORE, IT IS IMPORTANT FOR THE COMMITTEE TO CONSIDER ANTICIPATED SYSTEM DEMAND. NEAR-TERM DEMAND HAS A DIRECT EFFECT WHILE LONG-TERM FORECASTS DRIVE OVERALL REQUIRMENTS. WITH CONSTRAINTS BEING LIFTED AND THE ECONOMY RAPIDLY IMPROVING, WE EXPECT SUBSTANTIAL NEAR-TERM INCREASES IN AVIATION ACTIVITY IN FY 1984. BY 1994, WE

EXPECT A DOUBLING OF OPERATIONS AT TOWERED AIRPORTS, A 50 PERCENT INCREASE IN OPERATIONS AT AIR ROUTE TRAFFIC CONTROL CENTERS, AND MORE THAN 50 PERCENT INCREASE IN DEMAND FOR FLIGHT SERVICE.

IN FY 1984 WE EXPECT THE FOLLOWING INCREASES:

- IFR AIRCRAFT HANDLED BY THE EN ROUTE SYSTEM WILL INCREASE FROM 29.3 MILLION TO 30.5 MILLION, AN INCREASE OF 4.1 PERCENT.

- INSTRUMENT OPERATIONS AT FAA TOWERS WILL INCREASE FROM 35.0 MILLION TO 37.9 MILLION, AN 8.0 PERCENT RISE.

- AIRCRAFT OPERATIONS, THAT IS, LANDINGS AND TAKEOFFS CONTROLLED BY FAA TOWERS WILL INCREASE 10.6 PERCENT FROM 56.4 MILLION TO 62.4 MILLION,

- FLIGHT SERVICES PROVIDED BY FLIGHT SERVICE STATIONS WILL INCREASE FROM 63.8 MILLION TO 66.7 MILLION, AN INCREASE OF 4.5 PERCENT.

OTHER INDICATORS OF AVIATION GROWTH, THOUGH NOT DIRECTLY TIED TO FAA RESOURCES ARE:

- REVENUE PASSENGER MILES WILL INCREASE 7.3 PERCENT FROM 269.4 BILLION TO 289.1 BILLION.

- HOURS FLOWN BY GENERAL AVIATION WILL INCREASE FROM 43.5 MILLION TO 44.4 MILLION, AN INCREASE OF 2.1 PERCENT.

- HOWEVER, EVEN IF NO GROWTH OCCURS - A HIGHLY UNLIKELY POSSIBILITY - A RECENT STUDY BY THE CONGRESSIONAL BUDGET OFFICE CONFIRMS THE NAS MODERNIZATION OFFERS EXCEPTIONALLY GOOD RETURN TO THE TAXPAYER.

FY 1984 BUDGET REQUEST VERSUS AUTHORIZATION

BEFORE PROCEEDING TO DISCUSS OUR FY 1984 BUDGET, I WOULD LIKE TO COMPARE BRIEFLY OUR REQUESTS WITH THE AUTHORIZATION LEVELS INCLUDED IN THE AIRPORT AND AIRWAY IMPROVEMENT ACT OF 1982.

THE 1982 ACT FOR THE FACILITIES AND EQUIPMENT APPROPRIATION AUTHORIZED THROUGH 1984 A CUMULATIVE AMOUNT OF $2,379 MILLION, $1,393 MILLION FOR FY 1984. THE LATTER COMPARES WITH OUR FY 1984 BUDGET REQUEST OF $1,000 MILLION, OR $393 MILLION LESS. WE CAREFULLY EVALUATED THIS NEW OBLIGATING AUTHORITY WITH PARTICULAR ATTENTION TO THE CONTRACTUAL SCHEDULING OF THE INITIAL CONTRACTUAL OBLIGATIONS FOR THE PROJECTS PROGRAMMED FOR FY 1984. THIS INDICATED SOME PROGRAM SLIPPAGE, ALLOWING THE FY 1984 BUDGET REQUEST TO BE SOMEWHAT REDUCED WHILE STILL PROVIDING FOR FULL FUNDING OF ALL PROJECTS ESTIMATED TO HAVE THEIR FIRST CONTRACTS AWARDED IN FY 1984. IT DOES NOT REFLECT A REJECTION OF FUNDING LEVELS CONTAINED IN THE AIRPORT AND AIRWAY IMPROVEMENT ACT, NOR A LESSENING IN PRIORITY OF FAA'S NATIONAL AIRPSPACE SYSTEM MODERNIZATION. I ASSURE THE COMMITTEE THAT SYSTEM MODERNIZATION IS A HIGH PRIORITY PROGRAM OF THIS ADMINISTRATION. AMOUNTS DEFERRED FROM FY 1984 WILL BE REQUESTED IN SUBSEQUENT YEARS, AS NEEDED.

THE FY 1984 BUDGET FOR THE AIRPORT IMPROVEMENT PROGRAM

PROPOSES AN OBLIGATION LIMITATION LESS THAN AUTHORIZED. THE AMOUNT REQUESTED REFLECTS THIS ADMINISTRATION'S DETERMINATION THAT $700 MILLION IS SUFFICIENT FOR THIS AREA OF DEVELOPMENT ASSISTANCE AT THIS TIME. THE EMERGENCY SUPPLEMENTAL APPROPRIATION ACT OF 1983...THE JOBS BILL...ADDED $150 MILLION FOR SUPPLEMENTARY DISCRETIONARY AIRPORT GRANTS. THUS, FY 1983...WHEN COMBINED WITH THE $700 MILLION IN THIS BUDGET...RESULTS IN A TWO YEAR TOTAL FOR AIRPORT GRANTS THAT EXCEEDS THE 83/84 AUTHORIZATION CONTAINED IN THE AIRPORT AND AIRWAY IMPROVEMENT ACT OF 1982, AS ORIGINALLY ENACTED. THE FY 1984 GRANT OBLIGATIONAL LEVEL WILL FUND SAFETY RELATED PROJECTS, SECURITY ITEMS REQUIRED BY LEGISLATION, AND EXPANSION PROJECTS NEEDED TO RESOLVE CRITICAL CAPACITY PROBLEMS.

THE FY 1984 BUDGET PROPOSES A $1,099 MILLION TRANSFER FROM THE AIRPORT AND AIRWAY TRUST FUND TO THE OPERATIONS APPROPRIATION. THIS AMOUNT REAFFIRMS THE CONCEPT THAT SYSTEM USERS SHOULD PAY THEIR FAIR SHARE OF THE COSTS FOR OPERATING AND MAINTAINING THE NATIONAL AIRSPACE SYSTEM. THE BUDGET WOULD REQUEST WAIVER...IN 1984...OF AUTHORIZING PROVISIONS THAT TRANSFER THESE FAIR-SHARE USER COSTS BACK TO THE GENERAL TAXPAYER BECAUSE OF MINOR ADJUSTMENTS AND PROCUREMENT DELAYS IN OUR CAPITAL PROGRAMS. WE URGE THE REQUESTED TRANSFER BECAUSE, ALTHOUGH THE "FACILITIES SHORTFALL" WILL BE REQUESTED IN LATER BUDGETS, THE AUTHORIZING LEGISLATION WOULD NOT ALLOW FOR A LATER YEAR "CATCH-UP" IN THE TRUST FUND TRANSFER TO OPERATIONS, AND THE 83/84 GRANT PROGRAM IS GREATER THAN THE ORIGINAL AUTHORIZATION.

HEADQUARTERS ADMINISTRATION

THE FY 1983 DEPARTMENT OF TRANSPORTATION APPROPRIATIONS ACT PROVIDED FOR A NEW APPROPRIATION TITLED "HEADQUARTERS ADMINISTRATION." THIS APPROPRIATION BROKE OUT CERTAIN FAA HEADQUARTERS TYPE COSTS IN THE DIRECTION, STAFF AND SUPPORT, CENTRALIZED TRAINING, AND THE PROCUREMENT FUNCTION OF THE LOGISTICS PROGRAMS INTO A SINGLE, SEPARATE APPROPRIATION.

THE FY 1984 BUDGET REQUEST IS IN CONSONANCE WITH THE 1983 ACT BUT SEGREGATES THOSE COSTS INTO A SEPARATE BUDGET ACTIVITY UNDER THE OPERATIONS APPROPRIATION. WE BELIEVE THIS APPOACH IS IN KEEPING WITH THE INTENT OF CONGRESS TO IDENTIFY HEADQUARTERS TYPE COSTS SEPARATELY, BUT WITHOUT CREATING THE ADDED ADMINISTRATIVE WORKLOAD ASSOCIATED WITH THE MANAGEMENT OF A SEPARATE AND DISTINCT APPROPRIATION.

FY 1984 REQUEST FOR APPROPRIATIONS

THE FAA FY 1984 BUDGET ESTIMATE REQUESTS BUDGET AUTHORITY OF $5,031 MILLION, AND 48,968 DIRECT, FULL-TIME PERMANENT POSITIONS. THIS REPRESENTS AN INCREASE OF $850 MILLION AND A DECREASE OF 422 DIRECT, FULL-TIME PERMANENT POSITIONS OVER THE LEVELS AUTHORIZED BY CONGRESS LAST YEAR. NOT INCLUDED IN THE PRECEDING AMOUNTS IS $745 MILLION TO LIQUIDATE CONTRACT AUTHORITY OBLIGATIONS ASSOCIATED WITH THE AIRPORT IMPROVEMENT PROGRAM. WITH THIS BACKGROUND, LET ME BRIEFLY COMMENT ON EACH FY 1984 BUDGET REQUEST.

THE OPERATIONS APPROPRIATION

THE OPERATIONS APPROPRIATION REQUEST TOTALS $2,702 MILLION, OF WHICH $1,099 MILLION WOULD BE TRANSFERRED FROM THE AIRPORT AND

AIRWAY TRUST FUND. THIS ESTIMATE SUPPORTS 46,422 DIRECT, FULL-TIME PERMANENT POSITIONS AND REFLECTS AN INCREASE OF $111 MILLION IN BUDGET AUTHORITY AND A DECREASE OF 422 POSITIONS FROM FY 1983. THE FUNDING INCREASE IS A NET ADJUSTMENT AFTER APPLYING PAYROLL AND OTHER SAVINGS, AND IS REQUIRED FOR MANDATORY ADJUSTMENTS SUCH AS WITHIN-GRADE SALARY INCREASES, GRADE-TO-GRADE PROMOTIONS, PRICE INCREASES, AND THE FULL COST OF THE OCTOBER 1982 PAY RAISE. POSITIONS IN OUR AIR TRAFFIC, SYSTEMS MAINTENANCE, AIRCRAFT CERTIFICATION, AND AIRPORT PROGRAMS REMAIN CONSTANT FOR FY 1984 WHILE DECREASES IN ALL OTHER PROGRAMS PRIMARILY REFLECT ADDITIONAL ECONOMIES AND STAFF SAVINGS WHICH CAN BE MADE AS WE COMPLETE OUR RECOVERY FROM THE AIR TRAFFIC CONTROLLER STRIKE OF AUGUST 1981.

OPERATION AND MAINTENANCE METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

THE OPERATION AND MAINTENANCE OF WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS FOR FY 1984 WILL REQUIRE $34.6 MILLION. THIS REFLECTS AN INCREASE IN FUNDING OF $2.1 MILLION; STAFFING REMAINS CONSTANT AT 737.

WASHINGTON NATIONAL IS EXPECTED TO PRODUCE AN OPERATING PROFIT OF $15.0 MILLION AND DULLES INTERNATIONAL A SLIGHT PROFIT OF $10 THOUSAND. AFTER DEDUCTION OF $7.2 MILLION IN DEPRECIATION AND INTEREST FOR THE TWO AIRPORTS, A NET PROFIT OF $7.8 MILLION IS ESTIMATED TO BE REALIZED. THE RATE STRUCTURE AND CONCESSION ARRANGEMENTS AT THESE AIRPORTS ARE ESTABLISHED TO ASSURE RECOVERY OF OPERATING COSTS, INTEREST EXPENSES, AND AN APPROPRIATE RETURN ON GOVERNMENT INVESTMENT. FUNDS COLLECTED FROM AIRPORT USER FEES ARE DEPOSITED AS MISCELLANEOUS RECEIPTS TO THE GENERAL FUND OF THE TREASURY.

CONSTRUCTION, METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

THE BUDGET ESTIMATE FOR CONSTRUCTION AT WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS FOR FY 1984 TOTALS $15.3 MILLION. THESE FUNDS ARE REQUIRED TO FINANCE MAJOR IMPROVEMENTS OF FACILITIES TO INSURE THE CAPABILITY OF THESE AIRPORTS TO MEET THE TRAVEL NEEDS OF THE PUBLIC ADEQUATELY, SAFELY, AND EFFICIENTLY. AT WASHINGTON NATIONAL, FUNDS ARE REQUESTED TO REHABILITATE AIRFIELD FACILITIES, AIRPORT BUILDINGS, AND UTILITIES SYSTEMS. AT DULLES, AIRPORT BUILDINGS, ROADS, AND NEEDED FACILITY ALTERATIONS AND IMPROVEMENTS WILL BE FINANCED.

AIRPORT AND AIRWAY TRUST FUND

PASSAGE OF THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982 IN SEPTEMBER OF LAST YEAR REIMPOSED A SYSTEM OF AVIATION USER TAXES FLOWING INTO THE AIRPORT AND AIRWAY TRUST FUND. WE ESTIMATE THE TRUST FUND WILL HAVE AN UNAPPROPRIATED BALANCE OF $3.4 BILLION AT THE BEGINNING OF FY 1984, AND THAT TAX REVENUE DURING THE YEAR WILL BE $2.7 BILLION. ADDING INTEREST ON INVESTMENT, TOTAL REVENUES ARE EXPECTED TO EQUAL $3.1 BILLION. REQUESTED APPROPRIATIONS OF $3.1 BILLION WILL LEAVE AN ESTIMATED UNAPPROPRIATED BALANCE OF $3.3 BILLION AT THE END OF FY 1984. OF THIS AMOUNT, $2.1 BILLION IS COMMITTED BY LAW FOR FUTURE LIQUIDATION, THUS $1.3 BILLION WILL BE LEFT FOR SUBSEQUENT YEARS. THIS REPRESENTS A CONTINUED DRAWDOWN OF THE UNCOMMITTED TRUST FUND BALANCE FROM THE $2.2 BILLION PREVAILING AT END FY 1982.

GRANTS-IN-AID FOR AIRPORTS
(AIRPORT AND AIRWAY TRUST FUND)

THIS BUDGET PROPOSES NEW BUDGET AUTHORITY OF $993.5 MILLION, AN OBLIGATION LIMITATION OF $700.0 MILLION, AND A LIQUIDATING CASH APPROPRIATION OF $745.0 MILLION. THE OBLIGATIONAL LEVEL OF $700.0 MILLION, TOGETHER WITH THE ORIGINAL $600.0 MILLION AND THE RECENTLY ENACTED $150.0 MILLION IN FY 1983 BRINGS THE TWO-YEAR TOTAL FOR AIRPORT GRANTS TO $1.45 BILLION, WHICH IS $500.0 MILLION MORE THAN PROVIDED IN THE PREVIOUS TWO YEARS. THIS IS ADEQUATE TO FUND DIRECT SAFETY RELATED WORK SUCH AS SAFETY AND SECURITY ITEMS REQUIRED BY REGULATION, RECONSTRUCTION OF DETERIORATED PAVEMENTS, AND DEVELOPMENT NEEDED TO IMPROVE SUBSTANDARD FACILITIES. THE INCREASE IN LIQUIDATING CASH REFLECTS PAYMENT FOR THE STEADILY RISING LEVEL OF NEW GRANTS MADE SINCE FY 1981.

FACILITIES AND EQUIPMENT
(AIRPORT AND AIRWAY TRUST FUND)

FAA'S FY 1984 REQUEST FOR THE F&E PROGRAM TOTALS $1.0 BILLION, A $375 MILLION INCREASE ABOVE FY 1983, AND REPRESENTS THE SECOND YEAR OF FUNDING FOR THE NATIONAL AIRSPACE SYSTEM PLAN INITIALLY RELEASED IN DECEMBER 1981. THE SIGNIFICANTLY INCREASED FUNDING LEVEL CONTAINED IN THIS BUDGET AS SUPPORTED BY THE NAS PLAN PROVIDES FOR THE CONTINUED SYSTEM IMPROVEMENT INCLUDING SAFETY, CAPACITY, AND EFFICIENCY.

THE BUDGET CONTAINS INITIAL FINANCING FOR SEVERAL MAJOR PROGRAMS INCLUDING, CENTER WEATHER PROCESSORS, INTEGRATED COMMUNICATIONS SWITCHING SYSTEMS, UPGRADING RADAR MICROWAVE LINK SYSTEM, AND THE MODERNIZATION OF THE DIRECTION FINDER NETWORK.

MAJOR PROGRAMS INITIATED IN PRIOR YEARS AND CONTINUING IN FY 1984 INCLUDE THE MODE S DATA LINK, TERMINAL RADAR REPLACEMENT PROGRAM, REMOTE MAINTENANCE MONITORING, CONTINUATION OF THE FLIGHT SERVICE STATION MODERNIZATION PROGRAM, MICROWAVE LANDING SYSTEMS, APPROACH LIGHTS IMPROVEMENTS, CONVERSION OF OUR FLIGHT INSPECTION FLEET TO MORE EFFICIENT TURBOPROP AIRCRAFT, AIR GROUND COMMUNICATIONS, AND MODERNIZATIONS AND IMPROVEMENT TO AIRWAY FACILITY BUILDINGS AND EQUIPMENT.

RESEARCH, ENGINEERING AND DEVELOPMENT
AIRPORT AND AIRWAY TRUST FUND

WE REQUEST $286 MILLION TO FUND FAA'S RESEARCH, ENGINEERING AND DEVELOPMENT ACTIVITIES AT THE TOTAL LEVEL AUTHORIZED BY THE 1982 ACT. THIS LARGE INCREASE OVER FY 1983 IS PREDOMINANTLY THE RESULT OF $156.6 MILLION FOR THE ADVANCED AUTOMATION PROGRAM, INCLUDING THE HOST COMPUTER, SECTOR SUITE DEVELOPMENT, AND THE DESIGN OF A NEW SOFTWARE SYSTEM. FUNDS ARE ALSO INCLUDED TO MODERNIZE THE ACQUISITION, PROCESSING DISSEMINATION, AND DISPLAY OF WEATHER INFORMATION FOR AVIATION USERS; DEVELOPMENT OF COMMUNICATION SYSTEMS FOR THE SWITCHING AND TRANSMISSION OF VOICE AND FOR THE RAPID DISTRIBUTION OF DATA; AND AIRCRAFT SAFETY EFFORTS LEADING TO THE DEVELOPMENT OF REGULATIONS TO PROMOTE FLIGHT SAFETY.

THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN. MY STAFF AND I ARE NOW PREPARED TO ANSWER YOUR QUESTIONS.

CENTER/TOWER/FSS CLOSURES

Senator ANDREWS. Mr. Helms, what plans do you have for closing regional headquarters air route traffic control centers, towers and/or flight service stations in fiscal year 1983 and 1984?

Are any funds contained in your fiscal 1983 appropriation or your fiscal year 1984 request earmarked specifically for closings and/or consolidation?

Mr. HELMS. There are no funds in the 1983 or 1984 program for the closure or consolidation of Washington headquarters or regional offices. The funds, of course, for the automated flight service station have been previously appropriated in 1981, 1982, and 1983. I would like to add additional information dealing with facility consolidations funded in this budget request.

[The information follows:]

CONSOLIDATION OF FLIGHT SERVICE STATIONS

Funds were appropriated in fiscal year 1983 and requested in fiscal year 1984 to consolidate flight service stations as part of the FSS modernization program. Additionally, funds were contained in the fiscal year 1983 appropriation to close 10 airport traffic control towers which, due to their airport activity levels, are no longer economically feasible to operate. Our fiscal year 1984 request contains three TRACON consolidations of the radar approach control function only, the air traffic control towers will continue to operate at their present locations. Funding also was requested in the fiscal year 1983 and fiscal year 1984 budgets to consolidate three air route traffic control centers. However, based on our area control facility concept, we no longer plan to close any domestic centers. The moneys provided will be used to consolidate the San Juan center/radar approach control facility into the center and the flight service station at Miami, Fla. with the balance going to finance part of the first year's costs of the system engineering and integration contract.

UPDATING OF AIR TRAFFIC CONTROL SYSTEM

Mr. HELMS. The air traffic control system and the FAA's regional structure was laid out in the late 1950's, early 1960's, and was then dependent on the state-of-the-art and technology then existing.

Since that time, of course, a quarter of a century later, we have found that through automation and improved communications capability we do not need all of the facilities. We have completed in near final form a study of all of those. There has been no final decision made. We are still looking at them. A final decision will be made on it. I would suspect, within the next 30 to 60 days and Congress will be consulted before any actions are taken.

Senator ANDREWS. Well, do you have some specific flight assistance facilities in mind to close or consolidate, or are you about to make the decision? Is that what you are going to come up with in 30 or 60 days? Flight service stations is what I am driving at.

Mr. HELMS. Yes, sir. Our program for 1984, you recall, 1983 allowed us to close 5 flight service stations, would close 75 and start the consolidation as we have hardware coming onstream in January 1984.

Senator ANDREWS. Now, when you list these closures, do you intend to consult with Congress in advance?

Mr. HELMS. We always do that, yes, sir. From the best of my knowledge, we have only slipped up on one occasion. But we will definitely submit these to Congress.

Senator ANDREWS. And if we were to provide those funds your reaction would be favorable to our making availability contingent on such consultation.

Mr. HELMS. Certainly, we will respond to the Congress. I would point out, however, that after 3 years of planning, purchasing the hardware, with 15 sites selected and buildings under construction, it is important that we move on with this, Mr. Chairman.

FSS CONSOLIDATION

Senator ANDREWS. Those 15 sites have been identified and are a matter of public record. Now it is the 75 sites that have not yet been identified and are not yet part of the public record.

Mr. HELMS. Yes, sir. I may have confused you. The 15 sites are the new automated flight service stations; they would not be the regular flight service stations.

Senator ANDREWS. And the 75 flight service stations that you are intending to shut down, that list is not available as yet. It will be drawn up in a short period of time and you will make that available to the appropriate committees in the Congress.

Mr. HELMS. Yes, sir.

Senator ANDREWS. And you will consult with Congress before you shut that down.

Mr. HELMS. Yes, sir. In fact, we have run some test programs to make absolutely certain that as we consolidate into an automated FSS, that we can remote all the facilities.

During the discussion I may use the word "remote" a number of times. That means that if you dial in on a telephone it will automatically switch to another facility. That is true also for radar, DF procedures, weather, and other items.

Senator ANDREWS. Also, when you are flying over Williston, N. Dak., and you want to know what the weather is like down there on the ground, you are talking to somebody in Fargo which is 200 miles away.

Mr. HELMS. It could be that way, Mr. Chairman, but of course he will have precisely the same weather that someone at Williston would have.

COST OF NASP

Senator ANDREWS. Mr. Helms, what is the total estimated cost of your national airspace plan and what savings will you realize through increased productivity, and how much of that increased productivity is related to or dependent upon facility consolidation?

Mr. HELMS. There are two distinct and separate efforts, Mr. Chairman. One is the national airspace system plan which is a modernization of equipment for its safety, capacity, and efficiencies.

The consolidation of facilities is in fact totally separate. It goes back to the state of the art in two areas, communications and automation, which existed in the late 1950's and early 1960. So, the two really are completely separate.

Even if we did not consolidate a single facility, we would still have to go forward with the national airspace system plan to modernize and update the equipment. To the extent that the system plan is implemented, we can either take advantage of that and consolidate, or we could leave the structure precisely the way it is.

However, it would be a tragedy to do so because our estimates show that we will literally waste hundreds of millions of dollars between now and 1990 if we do not consolidate these facilities.

As an example, we are now in the process of establishing second-generation VOR's and solid-state ILS equipment, et cetera. These just do not have the same failure rate. So, to achieve the efficiency that we can, we should be grouping together the maintenance and support operations. This will achieve significant savings. That would not be solely dependent upon consolidation or the NAS plan implementation.

DELAY OF FLIGHTS

Senator ANDREWS. Mr. Helms I recall—and I think I mentioned this to the Secretary of Transportation—a month or two ago I came back from St. Louis on a TWA regularly scheduled flight. The plane was ready to leave at the precise moment the schedule said it was; in fact, the door was shut precisely on time.

We waited, as I understand—this was a 2 o'clock or 2:30 departure from St. Louis in bluebird weather. It was bluebird weather down here in Washington. We waited for three-quarters of an hour at the gate and then we got out to the end of the runway and waited for another half hour. That is 1 hour and 15 minutes delay.

People on board that plane were trying to make connections for Europe and a host of other things.

Why, if the system is working as well as it is supposed to, would a regularly scheduled commercial air flight have a delay of 1 hour and 15 minutes when the weather was perfectly great and it was midafternoon when normally you do not have those kinds of delays?

Mr. HELMS. Was the weather also good at the destination, Mr. Chairman?

Senator ANDREWS. Yes; the destination was Washington. The weather was fine here. In fact for the record, Mr. Helms, I will give you the flight number and the date. I do not have that. You might be interested because I know you are deeply concerned about this.

Mr. HELMS. Yes, sir, I am. As a matter of fact, it is this exact type problem which, when I run an inflight evaluation of the system, I stay in contact with flow control at headquarters, the FAA headquarters building, through a special communications system aboard the aircraft. It is this exact type problem which we are trying to evaluate to see why did we have delays in good weather when the program flow control ordinarily would not have had it.

I cannot answer this specific case, of course, that you are citing. But we do purposely keep the aircraft apart farther than we did prestrike. We do that as our work force starts to mature.

Senator ANDREWS. That is totally understandable. But it was a regularly scheduled flight that was ready to depart at precisely the proper moment. I can understand where you have troubles if the airline slows down and you are late in getting off, then you cannot fit it in with the other normally accepted block of travelers.

As a matter of fact, I was going out to a rural electric conference in Las Vegas. I took TWA out and we were one-half to three-quarters of an hour late in leaving National 2 days before to fly to St. Louis. So, we were late in St. Louis and we lost our baggage. When I was looking for my baggage I was thinking of you out there at the convention. [Laughter.]

But then again, that plane was ready to leave on time and it was in fact held up. I do not know whether you knew I was on board or whether that was just one of those things that happens. [Laughter.]

Mr. HELMS. That may respond to our conversation yesterday, the fact that today you left right on time and got here on time.

Senator ANDREWS. I certainly did, I was right precise.

Mr. HELMS. As a matter of fact—to show the efficiency of the staff—I have a rundown on your flight which was TW 105 that was scheduled to depart at 4:14 with arrival at St. Louis at 5:30, with low ceilings. Then you were scheduled to depart at 1:45 with arrival at Washington at 4:32.

The reason was that they were held to one runway at St. Louis. As a result of that, they were cut from their normal 45 to 28 arrivals per hour, and the airline had been advised in advance that there would be a 35-minute hold.

In addition to the 35 minutes, there was a 10-minute hold for taxi time, and the remaining 30 minute delay was due to TW 572's late push-back, with it in the middle of an eastbound rush of flights departing St. Louis.

Therefore, two or three earlier flights from you were delayed and pushing back, and were ahead of this aircraft on departure. Since we insist that they stay apart for a given finite distance, that was the reason why your particular flight was delayed.

Senator ANDREWS. Well, the key to the whole thing, the problem was the St. Louis airport and not in your system. The St. Louis airport because one runway was shut down was responsible, as I understand, for that. They then got one-half hour late push-back or whatever late push-back it was, and that then loused them up further into your system.

Mr. HELMS. Yes, sir. As I understand, once you were airborne there was no delay en route and landing.

Senator ANDREWS. No; once we were airborne we went normal time. The only thing is, we did not get airborne until 1 hour and 15 minutes after we were supposed to, which made it just a little bit late downstream.

Mr. HELMS. Yes.

Senator ANDREWS. Of course, the pilots are blaming it on you folks and that is where we get it in the head because we keep saying, "Look, we are giving you the tools you need to go with. Things are going well. Mr. Helms assures us that everything is going well."

That is why I wanted the question specifically answered. You have given me the answer that it was the fault of the local airport rather than the fault of your flight control system.

Mr. HELMS. And two late push-backs on prior flights, which took that sector of time which your flight was scheduled to depart.

Senator ANDREWS. But that was still at the airport.

Mr. HELMS. Still at the airport, yes, sir.

MEDICAL EMERGENCIES ON FLIGHTS

Senator ANDREWS. If I may go into one other one. Senator Goldwater has introduced legislation having to do with medical kits on board and what FAA does about it. Senator Goldwater, as you know, is a great good friend of both of us, Mr. Helms.

I would like to go a little farther on that. I recently learned about a medical emergency that occurred aboard a U.S. Air flight between Phoenix and Baltimore on March 2; you probably read the story in the paper. A 77-year-old woman complained of chest pains. She suddenly started gasping for breath.

One passenger on the flight just happened to be a medical technician and another was a nurse. Along with the flight attendants, they were able to administer first aid until the pilot could make an emergency landing in Kansas City where a paramedic unit was waiting to transport the woman to a hospital so she could receive more complete medical care.

I understand because of the happenstance of having this individual passenger on board, the woman's life was saved.

When you are talking about medical kits on board, I was amazed to learn the other day that the FAA does not even require the airlines to train their flight attendants and pilots in CPR or the Heimlich maneuver.

At home and most every place Red Cross and others have gone into the swing of saying, "This is important to know." Now, when flights get longer and longer, particularly coast-to-coast flights, why has not FAA said that the attendants, the cabin attendants, should all be trained in CPR and the Heimlich maneuver?

I understand that no more than one or two airlines—Alaskan and World Air Lines—now require their flight attendants and pilots to learn CPR.

I guess the question is. why do you not require all the airlines to train their flight crews and pilots in CPR and the Heimlich maneuver?

Mr. HELMS. First, we do not have that authority, Mr. Chairman. We do not have the authority to require an air carrier to carry a medical kit aboard the aircraft.

Within the confines of the petition that was submitted, we obviously have no objection. But we do have some concern as to what drugs may be included in that kit and for proper control of the kit. But we do not have the authority to direct an air carrier to carry medical equipment aboard.

Senator ANDREWS. All right, you have answered that question. You also do not have the authority to direct the air carriers to train their flight attendants in that particular maneuver?

Mr. HELMS. In that particular segment, yes, sir. We do have the authority to require them to train their attendants completely in escape, taking care of people. But as far as medical aid, no, sir, we do not have that authority.

Senator ANDREWS. Well, you said escape and taking care of people. Taking care of people, there are a number of emergencies that can occur when you are in a cabin that have nothing to do with the crash of that cabin.

Why would it not be just as logical to have that cabin attendant trained in CPR?

Mr. HELMS. It is the sort of thing which I would prefer that the air carriers take on for themselves and let us try to get the Federal Government out of more and more regulation.

CABIN SAFETY

Senator ANDREWS. I could not agree with you more. But 5 will get you 10, Mr. Helms, that the vast majority of the American public figure that that training is given. You know when the airlines started, attendants on airlines were registered nurses. Airlines have always said—in fact the unions of flight attendants say—"We are here to do much more than just pass out drinks. We are here to do much more than pass out drinks because the FAA says so."

They waltz around the front of the cabin and show you how to fasten your seatbelt. You know, I bet most people know how to fasten their seatbelt. Rather than have that demonstration, I would like to know that they were trained in CPR.

Since you can specify what they ought to do as far as cabin safety, can you not extend cabin safety to include such a basic thing as CPR?

Mr. HELMS. I do not know, Mr.Chairman, I will have to look into it. I will definitely do so and see if we have that authority.

Senator ANDREWS. Let me ask then the logical followup question. Do you not think it would be a good idea if they were all trained in CPR?

Mr. HELMS. This year we expect some 500 million people to fly on the air carriers. How often these events occur I have no way of knowing. We do not get all the reports in all cases.

To the extent that one life could be saved, yes, that is a valuable contribution. On the other hand, what it would cost I do not know, I cannot say. So, I would have to look into it. I would hope that they would do so but I will have to take a look at it and see if we have the authority and see if it can be done.

Senator ANDREWS. Let me say this, if you could inform the committee and also let us know if you feel that legislation is required, what your recommendation would be.

In other words, if you would recommend that such a legislative initiative be started, certainly it would make eminently good sense if you would draw up or draft the tentative law or rule so that it does fit, so

that we do not overlook something and it does mesh with the present requirements for cabin attendants and pilots.

Mr. HELMS. My hesitancy is because of the act which created the FAA in its charter, which is safety. The question in my mind is, is this related to safety in aviation or safety of the public? I just cannot answer that, Mr. Chairman.

Senator ANDREWS. Well, I would feel that it is related to safety in aviation and safety to the public, both. They are there. I think there is a great deal of pride in the pilots and the cabin attendants in what they are doing, in how they are getting those passengers from the place they get on the plane to their destination safely and comfortably.

I have never yet seen or heard a pilot up in that front cabin that was not trying to get a smoother ride or a better break for the passengers. Almost invariably the cabin attendants are equally accommodating.

I think they would like very much to have that training and I would think that the airlines—at small expense—could contact the Red Cross which, after all, is a volunteer organization. They do not have to go back to school to learn that, I think it is about an 8- or 10-hour training course.

Certainly, they could have their personnel trained in that.

Mr. HELMS. I will look into it and we will submit to the committee a paper which defines both our statutory and legal authority, and our recommendations if there is something that is appropriate, Mr. Chairman.

Senator ANDREWS. Good.

[The information follows:]

STATUTORY AUTHORITY TO REQUIRE TRAINING OF CREWMEMBERS IN CPR

The Administrator's statutory charge is to prescribe regulations "to promote safety of flight of civil aircraft." Federal Aviation Act of 1958, section 601(a) (49 U.S.C. 1421(a)). The agency has consistently viewed this enabling provision as intended to protect passengers from safety hazards peculiar to flying. Thus, for example, we recently denied a petition for rulemaking to require air carriers to carry equipment and medicine for the treatment of general health problems which may coincidentally require en route treatment. The denial is presently undergoing review in the U.S. Court of Appeals for the District of Columbia Circuit (*Bargmann et al.* v. *Helms*, No. 82-1801).

Under this view of the statute, the term "safety" is limited to protection against flight-related risks of injury; that is, risks caused by or peculiar to the unique conditions of flight. See, for example. FAR section 131.311 (safety belts). To the extent that CPR training is envisioned to treat cardiovascular problems which may arise only coincidentally during flight, it appears to be beyond the reach of section 601 of the act.

The absence of regulatory authority residing in FAA does not preclude the air carriers from incorporating CPR training into their training programs. In fact, a recent survey by the Air Transportation Association indicated that 21 of 24 airlines surveyed already train in cardiopulmonary resuscitation. In light of this, we believe that expansion of FAA authority into this area might be premature at this time.

PASSENGER REDUCTION AT NATIONAL

Senator ANDREWS. Mr. Helms, in an effort to reduce noise at National Airport the Department of Transportation is considering reducing the number of passengers allowed to use the airport from 16 million a year to about 15 million.

The airline industry officials are opposed to this reduction, calling it an unfair restriction of their business. On the other hand, civic groups in the area have campaigned for years to divert traffic from National to Dulles International Airport which is generally underutilized.

What is the FAA position regarding the passenger reduction at National?

Mr. HELMS. Mr. Chairman, the Washington National Airport policy, of course, has been a topic of conversation for many years. When I first got here in 1981, Secretary Lewis asked me, "Sit down and take a look at this and tell me what you think about the proper way to do it."

After spending some time on it I told him it is not a 1-year program, it is at least a 4- or 5-year program.

He asked why and I said:

Simply put, there is about $7.5 billion worth of inventory that goes through that airport every day, and this Nation's economy cannot stand the impact of automatically eliminating that or making a major impact. What we have to do is adopt a policy which will allow boards of directors, banks, airlines, employees, unions, and others to be able to have some forward planning.

As a result of that, the Washington National Airport policy that is now in effect was adopted last year. I think I signed it out in late 1981.

After approximately a year we have been looking at it, have been evaluating it, we have reached no firm conclusions. We are still in the final phase of studying what ought to be done to insure that it is all balanced out. I do not think we are quite ready yet to make a firm recommendation for a change.

Obviously when that is done, it will have to go out as a notice of proposed rulemaking. It will go out for public comment. All of the public will be given the opportunity to comment on it.

Senator ANDREWS. Well, a 16-million passenger cap, as you point out, was contained in a formal policy on National that the FAA implemented in 1981. After years of debate people in Congress, airlines and civic groups, everybody was pretty happy when we finally signed off on that one.

Now, just a year later, people are looking around for changes. National, as I understand, only had 13.3 million in 1982. So, why would the issue of the cap reduction come up at this time after we had an agreement that we thought was pretty well OK'd on all sides?

Mr. HELMS. At the same time, there was an integral part of that policy which outlined that it is desirable to shift more and more of the traffic to an underutilized airport at Dulles. The present terminal area is completely jammed up. I went out on Sunday afternoon and found that people were waiting as much as 45 minutes just to get their car in to unload and load at National. That was about 7:30 that I was there, Senator.

Senator ANDREWS. Yes; welcome to the club. [Laughter.]

Mr. HELMS. I was not traveling, I went out because I wanted to see for myself.

Senator ANDREWS. You are one of those tourists that louse up the things for those of us who are traveling. [Laughter.]

Mr. HELMS. There is, however, a desire to shift more and more of the traffic, and as the aircraft inventory in the Nation's fleet changes we should take advantage of that.

So, I am not prepared to say right now what that number ought to be. But we should encourage more and more air carriers to go out because then it will involve "hubbing" and that will provide better overall service.

Senator ANDREWS. I would suspect, Mr. Helms, that one of the problems we are getting into is that passengers have no way of knowing how long it takes to get from downtown Washington to Dulles. They do not know whether it is going to take 35 minutes or 2 hours and 35 minutes, with all the restrictions.

Now they have Route 66 open but they have restrictions on it. You cannot drive to the airport unless four people are going together in the car. And the connection between I–66 and the airport road is not there yet.

I would predict that when travelers from downtown Washington know they can get to Dulles in a dependable 35- to 40-minute timeframe—which they will when those roads are open, if they are open all the way—then that flow will go naturally to Dulles instead of to National.

Strangely, it is the same group that want National cut back that keep fighting the access road that would get the passengers to Dulles.

Mr. HELMS. We do not have a restriction on people going directly to Dulles, Mr. Chairman.

Senator ANDREWS. You do not have a restriction, I know. I am talking about Virginia and the people in Virginia that would like to shift the load on those airports. Those same groups are the ones that are fussing about I–66 and getting a straight shot for traffic so it can go out there dependably and not be caught in these massive traffic jams.

Mr. HELMS. Yes, sir. We are right on schedule with that access road opening in September of this year. But I was referring to the requirement that there be two or four passengers.

Senator ANDREWS. I understand.

Mr. HELMS. That is access for usage of other people; those people going to the airport, one passenger in an automobile. We have no restriction on that, going direct to Dulles as an air passenger.

Senator ANDREWS. But if you cannot get to your road over the other road, it does not do much good to have your road.

Mr. HELMS. Yes, sir.

Senator ANDREWS. It still remains that the people in Virginia who are objecting to the use of National are the same ones that say that you cannot get to Dulles in a timely fashion. Until that is resolved, I suspect there will be more and more continuing pressure to stay at National.

AIRWAY SCIENCE CURRICULUM

Mr. Helms, you mentioned the first graduates from the University of North Dakota in the airway science curriculum. I understand the faculty members out there have been working quite closely with your

shop in evaluating the curriculum proposals that have been submitted by a number of universities from around the country.

How many universities now have an airway science curriculum approved by the FAA?

Mr. HELMS. The faculty at North Dakota has a representative, and is a member of, I believe of the Association of Aviation Universities. So, it is a separate group that evaluates. It is not we, the FAA or a particular university.

We have had applications from about 18. But as of this time I would have to research it and furnish it for the record to tell you how many have actually been recognized. I believe it is eight but I am not certain.

Senator ANDREWS. All right, you can provide that for the record, Mr. Helms.

[The information follows:]

We have already reviewed and recognized program proposals submitted by eight colleges and universities. These proposals involve 18 programs in five major curriculum areas or majors: airway science management, aircraft system management, airway computer science, aviation maintenance management, and airway electronic systems. Additional proposals have been received from 10 other institutions and are currently being reviewed.

EMPHASIS ON COMPUTER SCIENCE

Senator ANDREWS. All of the options in the airway science curriculum not only emphasize aviation as one might expect but also include a significant amount of study in computer science. Why is that? You and I talked about that briefly the other day.

Mr. HELMS. More and more it becomes evident that the next generation of Americans will in fact have some form of an accommodation with increased automation, irrespective of their work.

Particularly in the FAA, the only way we will get the productivity and be able to handle the increased traffic with safety is to go more and more toward automation. So we have put heavy emphasis on the computer portion as an option within that syllabus.

Senator ANDREWS. You then think that a computer science background is as important for future FAA employees as is an aviation background?

Mr. HELMS. I would not want to balance it, they must have some knowledge of aviation. But certainly a computer sciences background is going to fit in precisely with where we are going with remote maintenance monitoring and the automation of our maintenance activity, yes, sir.

Senator ANDREWS. I would presume that as part of this new airway science curriculum you foresee extensive use of this new Center for Aerospace Sciences facility at UND.

Mr. HELMS. It is my understanding that they intend to have their student load right up to the limit. Another university did a sample among their senior and junior classes, and 802 of those students said they would be interested in it. So I would envision that that center is going to be kept quite full, Mr. Chairman.

Senator ANDREWS. And you would think that it would make sense to expand this center to accommodate computer educational needs and/or facilities as part of the airway science curriculum?

Mr. HELMS. I think that it is even larger than that, Mr. Chairman. While we in the FAA need additional emphasis in computer sciences, the Nation as a whole does, not just the Government. We are going to find more and more that the American populace is going to have an interface with a display and some type of computer device.

So, the graduates of such a computer sciences program would contribute materially to the national program which the President announced for increased emphasis on science and math. It will be a tremendous benefit to the Nation to have a larger program in computer science.

Senator ANDREWS. So it would be logical to hook the two together.

Mr. HELMS. Yes; I would think it would further the efforts both of the FAA and of the Nation as a whole.

Senator ANDREWS. I have one final question and then I will submit the rest of mine for the record and turn it over to my colleagues.

NTSB RECOMMENDATION

Mr. Helms, the Safety Board's recommendation that was emanating from the World Airways DC–10 accident in Boston addressed the issue of slippery runway conditions and the adequacy of information given the pilots regarding the safety of their particular takeoff or landing operation on slippery runways.

What action is the FAA taking to assure that airport management is effective in maintaining runways during inclement weather and that they take appropriate action to close an airport when safety is jeopardized?

Mr. HELMS. As the chairman may recall, we have been given $400,000 to specifically arrange a program with NASA on runway friction. We are in the final stages of discussing that work order and it will be a continuation of another one. Results may enable objective-reporting to relate to airplane stopping performance.

In addition, we have in the fiscal year 1983 budget $1.2 million for a program directed toward utilizing friction measuring devices for pavement evaluation and maintenance purposes. We right now anticipate—I have to be a little careful because of the competitive nature—but we anticipate that we will evaluate three different friction devices for measuring runway friction. That is, these will be devices which you can run over the runway, measure the friction and see what the slipperiness is.

The problem with that is that these may not be sufficiently accurate for reporting to pilots on runway conditions on snow- and ice-covered surfaces. We do not know yet. So, we are underway then on a program now to first see, is there a way to quantify what the friction coefficient is, the amount of slipperiness on a runway, depending on whether it has been scraped and it has been scraped with a one-quarter inch layer of light snowflakes on it. We just do not know that yet.

In the interim we have expanded our controller program to make absolutely sure that the air crews are in fact advised of slippery conditions and told about subjective comments by pilots from prior landings.

NASA JOINT PROGRAM

Senator ANDREWS. You feel that you have enough budgetary freedom now to handle the resources you need to commit to this joint program with NASA?

Mr. HELMS. Yes, sir. I do not think that we need anything else there. We need to just sit down now and put our thinking caps on and see the best way to approach it. It may change in future years. But we have the funds now that are necessary to do this.

Senator ANDREWS. But in the meantime you are going to establish some criteria so when this icing condition does exist there will be some way of taking steps to close that runway, to in effect give the information to the pilot who is coming in that it is not safe, instead of the hop, skip and jump-type thing you have now.

The person on the ground knows better the condition of that runway than a pilot can. By the time the pilot finds the runway is too slippery it is too late.

Mr. HELMS. Yes, sir. Our problem, however, is that the average runway used by an air carrier is from 6,000 to 10,000 feet long and surface conditions can vary considerably along this length. So, when we measure the friction in the first 2,000 feet it may be different than the next 4,000. We do not know yet how to do that. We do not know how to write a criteria.

What we are trying to do—and we recently had a meeting with all of the airport operator groups to lay out a program to help us define how we would do this and how we would in fact establish criteria, but we do not yet know how to do that.

WEATHER PROGRAMS

Senator ANDREWS. Thank you very much. You are working on it and you think you will have advances this year?

Mr. HELMS. I do not know that I would set a timeframe of a year, Mr. Chairman. But to show you the emphasis that we have in our program on weather out of the national airspace system plan, in 1982 I think our total funding in weather was about $7 or $8 million—six-something sticks in my mind.

In 1983, it had gone to $18-plus million; in 1984, our request will go up to about $55 million. So, weather has received the largest concentration of dollars. We are trying to find new ways to solve this weather problem and get it to the pilot.

Senator ANDREWS. But with all that money we still have not accomplished——

Mr. HELMS. I beg your pardon, sir?

Senator ANDREWS. With all of that money expenditure we still have not accomplished it.

Mr. HELMS. That is 1983 and 1984 funds I am referring to, Mr. Chairman. We would not have expended those yet.

Senator ANDREWS. All right. Thank you, Mr. Helms.

Senator Stennis?

Senator STENNIS. Mr. Chairman, you and Administrator Helms were certainly worth hearing. We have two experts, one on one end and one on the other—no foolishness but all facts.

DULLES AIRPORT

I have been on this subcommittee a long time. I have not been active on it, but I was its first chairman. I want to give an illustration of what you are up against, Mr. Helms because of change. It plagued you all the time, rapidity in growth.

When I was active on this subcommittee we considered Dulles—what became known as Dulles Airport today—whether or not to build it. The undisputed testimony before us was that National could never be used for jets. There was not any dispute about that, that was just it. The runways were not long enough and so forth.

Well, you say now that 16 million passengers used National last year. I am using that as an illustration of what you are up against in making these changes with such rapidity. We even moved the Naval Air Station out and the Air Force out away from National, trying to get more planes to use it. But not jets, that was undisputed.

I cast the deciding vote on one subcommittee, the vote was three to three on whether or not we should build another airport. I was away that day. I came back the next day and untied the vote in favor of building it. I do not deserve any credit for that.

I am talking about the change you are up against. It is amazing to me that you are doing such a fine job as a whole.

Mr. HELMS. Thank you, sir.

CONTROLLER STRIKE

Senator STENNIS. I appreciate the way the controller problem was handled. I do not want to see them in trouble but I commended the handling of it from the floor, as I remember, the day after it was done. What handicap that was, and it was handled right along in an amazing way.

I do not have any questions, Mr. Chairman, you exhausted the book for today anyway with very fine and skillful questions.

Senator ANDREWS. Thank you, Senator.

Before I turn to Senator D'Amato I want to thank you for your kind words. It is always a privilege working with you to kind of guide us through the thicket, those of us who are youngsters. It is a great privilege to serve with you.

Senator STENNIS. Thank you.

F&E FUNDING

Senator ANDREWS. Mr. Helms, I overlooked in my earlier questions a problem. I have a couple of hats and I am supposed to be upstairs on the Budget Committee. This afternoon we are going to take up the function of transportation up in the Budget Committee. As you know, this subcommittee does its best but we have limits put on us by the Budget Committee.

Now, the current policy baseline used by the Budget Committee for FAA facilities and equipment which is, I know, close to your heart—you are the one in this country who knows best the needs of that program.

The current policy baseline is set at $646 million for fiscal year 1984. Now, the House resolution assumed funding for the program at the $1 billion level, as you know. The authorized level is $1.393 billion.

If you were a member of the Senate Budget Committee, Mr. Helms, and you were faced with the problems that we have up there, what type level would you think is necessary for this F&E program in the budget to permit your agency to move ahead at the rate you feel necessary for safety in air transport in the year to come, and why?

Mr. HELMS. I certainly would never presume to try to act on behalf of one of the gentlemen who has been on this committee and been here many more years than I. But if we had to continue at our present level into 1984, it would have a drastic effect. It would have a very, very detrimental effect.

We would have to come back to the Congress and ask that some way be found to raise this to at least $1 billion in the F&E appropriation, and the full R&D. Without the R&D, the computer program comes to a halt. Without the F&E at $1 billion, the computer program and the AAS—which is the advanced automation system—comes to a halt.

So, it would have a dire impact on a number of our programs, Mr. Chairman.

Senator ANDREWS. What was your request to the Department?

Mr. HELMS. We originally requested the same amount we put in last year, $1.393 billion.

Senator ANDREWS. To take care of both categories.

Mr. HELMS. The $1.393 billion was for F&E only. But in all deference to the reviews, for example, I will use a simple case and then I will give you the exact facts.

If we had programed the purchase of a $400 million computer program in the last week in September, and it then slipped to the first week in October, it would have gone over into the next fiscal year and hence there would have been a significant reduction.

In fact, it slipped about 4 months. So, we have had some changes back and forth. We originally requested the $1.393 billion and the economists noted that we could get by with $1 billion. We said that there were other programs where we could put the funds, but in deference to them, they pointed out we could keep the major thrust of our program on schedule.

So, if we had the $1 billion we could keep our program on schedule.

Senator ANDREWS. Thank you, Mr. Helms.

Senator D'Amato?

REGIONAL OFFICE REORGANIZATION

Senator D'AMATO. Thank you very much, Mr. Chairman.

Mr. Helms, as you know, as a result of the Transportation Appropriation Act last year the FAA was prohibited from undertaking

any reorganization of its regional offices without the prior approval of both the House and Senate Appropriations Committees.

Now, I know that the FAA is always studying consolidation plans of one sort or another. I would like to ask you, has the FAA specifically studied a consolidation of its regions since the last proposal, and when did these studies begin?

Mr. HELMS. By the last proposal, Mr. D'Amato, are you referring to about 2 years ago, before the strike?

Senator D'AMATO. Yes; June 1981.

Mr. HELMS. We have not done any new studies. We have continued to refine our cost data. The reason was that we have found when we combined the four regions before—that were combined into two—we did not expend the amount that we thought. So, we saved more money than we thought.

Second, the savings each year were higher than we thought, a double benefit to the taxpayer. We wanted to go back and see, where did we make our errors, because our estimated cost was higher than the actual cost. Since our savings were higher than we estimated, we wanted to go back and see why they were.

We examined the four that were considered at that time, reviewed what happened when we combined them to two. We had applied those learnings to the others. Other than that we have done no detailed planning.

Senator D'AMATO. So, with respect to the consolidation in the East, are you suggesting that there is no additional information that you have with regard to that initial study that was quite flawed, as you recall? We had quite a to-do about it. I submitted about a 50-page report that I think very accurately reflected in many cases the overstatements in cost savings which were made by the FAA with respect to a consolidation of the eastern region in New York with the northeastern region in Massachusetts.

So, what I am asking you is, what elements are you considering now and do you have an ongoing study with respect to the consolidation of the regions in the East?

Mr. HELMS. We are constantly, as you noted, reviewing all of the FAA offices, centers, and installations. For example, when I first laid out the NAS plan it became evident that we did not need the total number of centers, and we originally planned to shut some of them down.

But after working for a year with industry we found that in fact we could use that capability for advanced automation and not have the major impact on our work force. So, we came up with the ACF concept which primarily is the result of the National Airspace Review.

You may recall that we have the national airspace system plan which is the facilities and equipment on the surface. Then we have the national airspace review which is, how do we more efficiently use this cubic volume of air over the Earth.

During the last year we had many inputs—I think from 17 of those national airspace review committees. It became evident we could get far more efficient use by changing the structural use of that air space.

That led us into the ACF concept. Therefore, we are looking at all types of combinations to see if we can achieve a saving. Right now there is no question in our mind that between now and 1990 if we do not collectively take action between the administration and the Congress, we will waste hundreds of millions of dollars. My responsibility, of course, to the taxpayer is to try to identify those savings.

Senator D'AMATO. You and I went through that. Again, I would point out for the record that those initial proposals that you would have had this Congress adopt or the administration adopt indeed would have cost the taxpayers more money—not to mention the incredible dislocation to people and to their lives.

To advance a program with the idea of saving taxpayer money and improving the quality and efficiency of the FAA's operations is one thing. But to advance a program that indeed would have resulted in disruption and additional cost to the taxpayer is quite another thing.

Mr. HELMS. Mr. D'Amato, I do not recall any studies which showed that it was going to cost more. But I would prefer to stand on the facts rather than an appraisal. The facts are that when we combined, for example, the Rocky Mountain region from Denver with the northwest region in Seattle——

EASTERN REGION RELOCATION

Senator D'AMATO. I am talking about, Mr. Helms, the proposal that would have merged regions, and taken the region which is located in the major aviation hub of the world and move it up to Massachusetts. I am talking about when we went into cost of housing personnel; rental of space: the movement of numbers of people, et cetera, that study was totally flawed.

Now, what I would like to know, have you undertaken anything with respect to the eastern region? I am talking about the eastern region. Are you still looking into that and have you sent any recommendations to the Secretary of Transportation in regard to that?

Two questions: Have you made any studies, and what do your studies contain?

Mr. HELMS. I would not want to presume to speak for the Secretary or prejudge a decision that the Secretary might be finally faced with.

Senator D'AMATO. I am not asking you to do that, Mr. Helms. I am asking you if the FAA has sent to the Secretary any recommendations with respect to the regions. Now, can you answer that question? Have you?

Mr. HELMS. I have sent to the Secretary a summary of FAA facilities nationwide which, if consolidated, can in fact achieve hundreds of millions of dollars of savings.

Senator D'AMATO. Have you made that information available to any of the congressional committees?

Mr. HELMS. That would be presumptuous of me to do so before the Secretary of Transportation had a chance to review it and render a normal secretarial judgment.

Senator D'AMATO. Well, I would suggest to you if we are talking about the consolidation of regions, that we are going to face one of those battles again. I think that we are entitled to see the information upon which you make some of these recommendations.

Have you specifically made any recommendations with respect to consolidating any regions in the East? Specifically New York, Mr. Helms.

Mr. HELMS. I do not believe that I would want to identify individual elements, Mr. D'Amato, until such time as the Secretary has had a chance to render a judgment.

My plan and program covers the entire United States.

Senator D'AMATO. I would suggest that you are being less than candid with this committee. Now, I have asked whether or not you sent any proposals with respect to consolidation, specifically in the eastern region, specifically concerning New York, to the Secretary. Simply yes or no.

Mr. HELMS. My submittal to the Secretary included a discussion of many regions, many centers, many general aviation district offices. It involved all kinds of facilities, Mr. D'Amato.

Senator D'AMATO. When did you send those recommendations with respect to possible consolidations in the East and New York in particular?

Mr. HELMS. The program was sent to the Secretary roughly 3 weeks to 1 month ago as a followup. But I would want to emphasize again that plan and that program included the entire facilities of the FAA.

Senator D'AMATO. Let me ask you, would you not give that and share that information with this committee, the Appropriations Committee?

Mr. HELMS. Until such time as the appropriate authority has reviewed it, it would be presumptuous of me to do so. I feel that the Secretary of Transportation has the right to review that and consider whether in fact it should be furnished to the committee. She may disagree.

CONGRESSIONAL APPROVAL PRIOR TO CONSOLIDATION

Senator ANDREWS. Might I assure the Senator from New York that in a discussion earlier on in this hearing Mr. Helms assured me—as I understand—that there would be some merit to tying the funds for this consolidation to getting a list of the consolidation ahead, so that we did have the chance to look at it.

Now, that is going to be down the line after, as he says, he has it reviewed by the Secretary of Transportation. But I am assuming from what we heard earlier that you would send the list—after you defined it and it has been approved by the Secretary of Transportation—up here before you put it into effect.

Mr. HELMS. You are absolutely correct, Mr. Chairman. I have no way of knowing what the Secretary may decide to do. But obviously, once the Secretary has reviewed this and made changes, before it is put into effect it would be reviewed in detail throughout all of the areas of this committee, and also with the House committee.

Senator ANDREWS. And that by tying the disbursement of the funds to the approval of that list, we in effect achieve a major portion of what

Senator D'Amato is quite justifiably looking for. Would you not say, Senator?

Senator D'AMATO. I would, Mr. Chairman. I just think it is important that we understand for the record that we hear these things, Mr. Helms, continually; we see them by way of your speeches. I am made well aware of some of your comments and almost expressed antagonism toward the New York facility.

Mr. HELMS. I would have to totally reject that, Mr. D'Amato——

Senator D'AMATO. Oh, I understand.

Mr. HELMS [continuing]. Because that is not the case. As a matter of fact, I spend as much time in New York, at our Air Traffic Service New York, as any place else. Within the last 90 days, I have——

Senator D'AMATO. Mr. Helms, I would be happy to indicate to you some of your remarks for the record. It might prove quite embarrassing to you.

But let us move on to something else because there are a number of questions that I would like to pose to you.

Have any responsibilities or functions, or personnel, been transferred from the eastern region since January 1981? Could you provide that for the record?

Mr. HELMS. There has been an exchange in sectors between a number of regions to allow us to use the controllers to the fullest effect. But I believe that most of those sectors were transferred from the northeast region into the New York region. I am not absolutely certain of that, Mr. D'Amato, but I am nearly certain that there have been sectors, which means that people were transferred into the New York Center and out of the Boston Center.

I would have to examine it, though, and furnish it for the record. I cannot tell you from memory in all cases.

Senator D'AMATO. All right, for the record could you provide this committee with that information?

Mr. HELMS. Yes, I will.

[The information follows:]

TRANSFER OF EASTERN REGION FUNCTIONS

The FAA established the national concept of Aircraft Certification Directorates in January 1982 to provide for better utilization of certain regional certification staff elements already having nationally recognized areas of special expertise. At that time, FAA transferred the management oversight of the aircraft certification functions of the eastern, Western-Pacific, Great Lakes, Alaskan, and southern regions to the appropriate Certification Directorates. In the eastern region, the management oversight for the certification function, and its accompanying 60 positions, were transferred to the New England region.

The FAA centralized the payroll processing for the Northwest Mountain, Western-Pacific, New England, and eastern regions into the Mike Monroney Aeronautical Center in Oklahoma City, Okla., in November 1981. Eighteen positions were eliminated from the eastern region as a result of this transfer.

As part of a nationwide move to reduce the cost of Government, the eastern region's printing plant was closed January 11, 1982. Four positions were eliminated as a result of this closure.

With respect to the air traffic control system, the only transfer of functions from the eastern region was the transfer of two high altitude control sectors from the Washington Air Route Traffic Control Center to the Jacksonville Air Route Traffic

Control Center. No personnel transfers were involved. Within the eastern region four sectors were transferred temporarily from the New York Center to the Washington Center. No personnel transfers were involved. As yet, there have been no sector or personnel transfers between the Boston and New York Centers.

NATIONAL AIRSPACE SYSTEM PLAN

Senator D'AMATO. Thank you very much.

Mr. Helms, as you know, the en route control center at Ronkankoma, N.Y., provides a vital separation of services, traffic advisories, and weather information to pilots. Now, the center handles 1,633,000 movements per year and the 1981 snapshot of the national en route configuration shows a dot over the Long Island map, representing the center.

However, the year 2000 system map does not show that center. I would like to know whether or not, Mr. Helms, are there any plans to change that, given the tremendous amount of activity or does that represent what you are looking toward in the future?

Mr. HELMS. Of course, I do not know what map you saw but I think I understand the thing you are referring to. When we laid out the national airspace system plan we had to assume that with automation capabilities——

Senator D'AMATO. The map in the national airspace system plan.

Mr. HELMS. That is the one I thought you meant. When we laid that out we had to make some assumptions as to what are major impacts, for example—I want to stress this as merely an example—we needed a center which handled a high degree of overseas traffic and had a high density concentration. We needed a center that was in the midpart of the United States. We needed one which was engaged in ocean traffic control.

In no way does that imply a decision to change, modify, locate, relocate or anything else, the New York Center. It was clearly stressed that that was done for study purposes so that we had an accurate basis for defining what the communication and automation system should be.

In fact, as my earlier statement noted, we now have the 23 ACF configuration in the plan.

AUTOMATED FSS'S

Senator D'AMATO. Mr. Helms, in talking about the recalculations, cost-benefits resulting from consolidations, I have some questions with respect to proposals relating to New York. It is my understanding that the goal in New York State is to establish three service areas with automated flight service stations in each of those three areas.

I recognize that the automated flight service station which covers western New York might be located in northwestern Pennsylvania, since that flight service station would cover the Pennsylvania area; is that correct?

Mr. HELMS. Well, what we do is, we group them by density of air traffic, Mr. D'Amato. To the degree that the long-distance rates support the location, because when you cross the State border the long-distance rates go up; you can get an 800 line within a State and you have one cost, but once you cross the State boundary you have a different cost.

So, we group these by areas of air traffic. On that basis, then, we follow the Federal procurement regulations and the low bidder applies. Anyone that tampers with those numbers, of course, is going to end up in jail because we take the low bid.

Senator D'AMATO. Well, when you are talking about the low bidders you are talking about bidding, for example, in Buffalo and some community that might like to bring in a center, and that could literally come in as the result of attempting to attract jobs and bid next to nothing a community might say, "We will take this center and we will not charge you but $1 a year."

Now, you may effectuate a $50,000 a year savings or $100,000 a year savings and it might look like something. But what about the cost-benefit ratio? What about the disruption in taking 40 or 50 jobs in one area, or 30 or 40 jobs, and moving them down to another area? What about the number of passengers handled in the Buffalo area as opposed to, let us say, Johnstown, Pa., which also might want a facility?

Is that the proper function? Do we not have something that is more important than that?

Mr. HELMS. Well, I am not quite sure what the question is, Mr. D'Amato, but literally, technology today would allow us to have one massive center in, I will say, the heart of the United States; one massive control center. Now, for national defense reasons we cannot do that.

So, the idea of where we locate an automated flight service station is really not a major item in regards to technology. We can locate it anywhere as long as it is on an airport and can provide the service to the public.

As regards shifting people, now having been through the combination of four into two regions, we have found that it was accomplished quite easily. That all of our employees were serviced, they all had their——

Senator D'AMATO. They are not going to find an accommodation if you are going to take it out of Buffalo and put it down to Johnstown, Pa.

Mr. HELMS. Well, I am not going to do that, Senator. It is whoever is low bidder. My job is to save money for the taxpayer.

GAO REPORT ON AUTOMATED FSS'S

Senator D'AMATO. Well, I have heard that before. We will get into how you save money for the taxpayer. I have a few questions about that.

A February 16 GAO report raises some serious questions as to this proposal. The report questions the degree of acceptance among the general aviation pilots with respect to the automated flight services and the services which the new stations will be offering them. I mean, we are talking about installing these. We are talking about great expenditures. But will the services be utilized?

Now, have you done any more recent studies than the 1976 study which the GAO report alluded to?

Mr. HELMS. First, Mr. D'Amato, if you take the total number of flight plans, services, events the pilots engage in with a flight service sta-

tion, you will find that less than 5 percent of them are in person, 95 percent of them right now are by telephone. So, the station can be anywhere in the United States.

So, we are talking about 95 percent of the pilots are going to be satisfied with their service, irrespective of where it is located.

Second, the benefits that we are talking about are obviously long-term savings which will give us an increased capability. Today we could not afford, as a nation, to put this advanced equipment into 317 sites. But we can put it into 61 of them and remote it so that the pilots, when they call up, can have far more rapid weather reports.

As an example, today if you call a flight service station the individual on the end will read from a printout—in many cases teletype—that could be up to 1-hour old. Under the new system he will be able to read the most current weather information that is continuously updated.

So, we are talking about giving the pilot far, far better weather information than we have ever been able to do in the past. The pilots did raise the question to me. I met with some at AOPA, I met with the head of AOPA and said that in deference to their concerns I would build in another year into that program to insure that we did not eliminate service at any flight service station before the others are available.

So, we have put another year into the program just to make sure we bridge that time period easily.

Senator D'AMATO. Mr. Helms, I would suggest that maybe you review, have some of your people review, the GAO study—the February study—in which it indicates on page 9, the middle of the paragraph, flight service station automation projects:

> The FAA needs to reevaluate the flight service station project to determine whether the aviation community will be willing and able to utilize automated services once they become available.

Now, there is a question with respect to the use of computer terminals or touch-tone phones to access the automated services and questions whether the pilots will do this.

In addition the GAO report states that:

> Pilots rely on flight specialists for expert opinion with respect to weather conditions, and many question whether automated flight service stations will be able to provide this information.

Because again much of the work that is being done is based upon a 1976 report that the FAA had done.

Do you not think it is important that we undertake this rather than talk about cost consolidation it is based upon a reevaluation utilizing today's conditions?

Mr. HELMS. As a matter of fact, the technology has progressed so much since 1976, Mr. D'Amato, that it would reinforce what we are doing. But you recall, earlier I noted that 95 percent of all the inputs come over the telephone. Whether the person on the other end of the telephone is 10 miles away or 1,000 miles away really is not significant.

Senator D'AMATO. Where would that 95 percent figure come from? Could you give us something for the record on that?

Mr. HELMS. Yes, sir, we will be glad to furnish it for the record. So that you will know, when we get a telephone inquiry in from any pilot we always log it. We log it by the serial number of his airplane so that we can track the traffic flow across the c[illegible]try. We log those in. We will be glad to furnish that data for you.

[The information follows:]

PILOTS SERVED VIA TELEPHONE

The figure of 95 percent service via telephone was derived from data samples taken at selected flight service stations and information provided in response to periodic surveys. Based on more recent information the number of pilots being served via this method is estimated to be approximately 93 percent.

Senator D'AMATO. Would you review the GAO report of February of this year and comment to us again for the record specifically with respect to those concerns that they raised in regard to this automation?

Mr. HELMS. We will do so.

[The information follows:]

FSS CONSOLIDATION

FLIGHT SERVICE AUTOMATION SYSTEM

The decision to implement the FSAS program was made in 1981. The acquisition of FSAS automation equipment is in its second year of production, and many leases for new automated FSS's have been acquired through a competitive solicitation process involving scores of interested communities. The cost analysis accomplished by the FAA in 1978–79, which determined that automation/consolidation was a cost-effective solution to the FSS dilemma, was a valid analysis based on the operational scenario and technical data pertinent at that time. We are currently fine tuning that analysis to account for the impact of lower projected demand, leased buildings, and revised communications rate structures. Technical adjustments will be made, if appropriate, as the implementation proceeds.

As the flight service automation program has evolved over the years, system concepts and specifications have been assembled based on considerable development, test, evaluation, and user participation. The basic issue questioned in the GAO report revolves around pilot acceptance of direct user access capabilities. All tests and evaluations to date, conducted by the FAA to evaluate the effectiveness of briefings delivered without the involvement of a specialist, have resulted in supportive data regarding technical feasibility and user acceptance of the concepts. In addition, user organizations and their membership have participated in the major evaluations and have always endorsed the acceptability of self briefing. Technology is rapidly advancing, and the commercial availability of inexpensive personal terminals is already a reality.

As FSAS implementation proceeds, we need to refine the details of direct user access deployment and use. We plan to further assess the user acceptance question, not to determine if it can be successfully deployed, but rather to determine what actions need to be accomplished as the concept is developed and deployed, such as user awareness, weather education, et cetera, to assure a successful implementation resulting in high user acceptance.

QUESTIONS REGARDING FINAL REPORT

Senator D'AMATO. I think that would be most appropriate and important so that we can eliminate any undue concern that may exist. Possibly you have reasonable explanations.

Mr. Helms, as you know, the GAO issued its final report on April 1, dealing with the managing of FAA aircraft. I would like to ask you certain questions regarding that report.

Before asking you those questions, however, the GAO testified on September 23, 1982, before the House Subcommittee on Legislation and National Security. The substance of this testimony is embodied in the GAO's final report. Initially we heard that this was not a final report. It has been finalized.

ADMINISTRATOR'S USE OF AIRCRAFT

Now, pursuant to their testimony the Congress included in its fiscal year 1983 Transportation Appropriations Act language which limits the use of Department of Transportation aircraft by the Administrator of the FAA. The provision was designed to direct the Administrator to use commercial transportation whenever possible in order to save the taxpayers the expense of the Lockheed Jetstar which costs $3,070 an hour to operate.

The act does provide for certain exceptions, one being for flights:

> Essentially for the purpose of inspecting, investigating or testing the operation of any aspect of the Federal Aviation Administration system designed to aid and control air traffic or to maintain or improve aviation safety.

It says, essentially.

Now, pursuant to my request the GAO has spent a good part of last week reviewing the FAA aircraft requests and use records as well as the Administrator's itinerary records. GAO had documented five trips since the effective date of the aforementioned provision where FAA aircraft—either the Jetstar or the Cessna 550—were used by the Administrator, by you.

The record shows that the box labeled "Evaluation" was checked for each and every of these flights, apparently in conformance with the law.

Is it your understanding, Mr. Helms, that these flights were made essentially to evaluate the airspace system and the air traffic control?

Mr. HELMS. First, Mr. D'Amato, I only saw the report last Monday and I spent Tuesday preparing for the House hearings; Wednesday and Thursday in the House hearings; Friday on the road to FAA facilities; yesterday preparing for this one. So, I have not read the final report. However, I did look at the draft report——

Senator D'AMATO. Mr. Helms, let me suggest to you——

Mr. HELMS. In the first place——

Senator D'AMATO. Excuse me. Mr. Helms, excuse me.

Mr. HELMS. Yes.

Senator D'AMATO. The draft report was submitted to you—and the final report is essentially the same—in January. So, you got the draft report in January. Are you telling me that you did not get the report in January, you did not see it?

Mr. HELMS. No, I saw it, Mr. D'Amato. But that report——

Senator D'AMATO. Well, it is essentially the same, is it not?

Mr. HELMS. Yes, and that was what I was trying to address. When I saw the draft report I found it was so replete with errors, omissions, inaccuracies, and inadequacies as to be functionally unusable as a management device.

Senator D'AMATO. Why did you not comment on the draft report and pull out its inaccuracies?

Mr. HELMS. Because I could not possibly do so in the 30 days allowed. It will take at least 2 months, probably 3 months; there are so many errors in it.

Senator D'AMATO. Did you ever ask for an opportunity to reply or *did you just disregard it?*

Mr. HELMS. Well, the way the GAO works is, it allows you 30 days to respond, Mr. D'Amato. When you cannot respond in 30 days you advise them that you are not going to respond.

Senator D'AMATO. Well, that is what you did, you advised them that you were not going to respond.

Mr. HELMS. Because we could not possibly do so in 30 days.

Senator D'AMATO. All right, continue.

Is it your understanding, Mr. Helms, that these flights, the five flights now, were made essentially to evaluate the airspace system and air traffic control?

Mr. HELMS. Mr. D'Amato, it is a matter of economics. Let us back up for a moment and go back to 1981, 1982, and 1983 and see what we are talking about here.

I was in a meeting in New York about 1 year ago and during that meeting some of the people raised the question about the economic impact on business and what was happening, and we were talking about the large corporations.

I asked them, "Do you know who the largest employer is here in New York?" I said, "Let us take Long Island. Who is the largest employer on Long Island?"

I said, "I think Exxon is a fine company, General Motors, I think all of them are." But the largest employer on Long Island is JFK Airport. It has $400 million a year in salaries, $3 billion a year in trade. The largest employer in the State of Georgia is Atlanta International Airport. The Los Angeles Airport generates 106,000 jobs; O'Hare 118,000.

In the area of JFK we are talking in terms of nearly 2,000 small businesses that live off it. Now, to the extent that I can keep JFK operating at its maximum level, I have protected thousands of jobs, as far as I am concerned, all around there in the area of Rosedale, Valley Stream, Cedarhurst, and Lawrence, and the other villages around there. Had we not been able to keep that system operating at the level, those people would have been out of work.

I do not fly an FAA airplane for personal transportation. I only fly it for the evaluation of the system.

SYSTEM EVALUATION

Senator D'AMATO. Are you suggesting, then, that in terms of those five trips that you have taken since January it has been for the evaluation of the system?

Mr. HELMS. I am not suggesting it, Mr. D'Amato——

Senator D'AMATO. Well, you checked it off in various boxes.

Mr. HELMS. Yes, but you did not let me finish. I was going to say I am not suggesting it, I am stating it emphatically.

As a matter of fact, if you will check you will see at LaGuardia, I was in the tower at LaGuardia evaluating their capability to handle increased traffic. I want to get LaGuardia back to its prestrike level in July.

Senator D'AMATO. The question is, How did you get to LaGuardia? The question is, Why did you take a $3,000 trip when you could have taken an $88 trip?

The question is whether or not you think that as Administrator that you have the prerogative of getting in the Jetstar—costing $3,000 an hour—when there are other available transportation avenues open to you, those transportation avenues having been designated for your use unless—unless there are extenuating circumstances that come down to the evaluation of the system. Not in terms of your getting there to evaluate the system. Not in those terms.

Let me ask you something. On March——

Mr. HELMS. Excuse me, Mr. D'Amato, I would like to answer your question.

Senator D'AMATO. You never answered it. But I am going to give you a chance, we are going to go over these in detail.

Mr. HELMS. That is fine. I would like to right now because in that case I did not take the Jetstar to LaGuardia.

Senator D'AMATO. What did you take, the Cessna?

Mr. HELMS. Yes. Now then, let me say why.

Senator D'AMATO. Let the record be corrected, the Cessna only costs $900 instead of $88.

Mr. HELMS. And let us now define the use between the Jetstar and the Cessna. The Jetstar is the only aircraft in the FAA fleet that has a combination of dual VHF receivers and long-range communication that will allow us to get into flow control in Washington.

When I am in the Jetstar no matter where it is—and the reason I use it is, I can now talk with flow control directly in Washington to find out what is happening in traffic. I have been on flights when traffic built up in Memphis and I landed at Memphis and went to the Memphis Center to find out what the reason was. I would not have known it if I had not been in that aircraft.

I have flown flights in which to determine whether, in fact, we could handle emergencies in Charleston; shut down an engine and landed in Savannah. I have inspected runways at Spokane, Wash. In every case my ability to be on that phone with single-side band back to flow control allows us to shift traffic around.

Now, why did I not use that to go to LaGuardia? Because you do not need single-side band to reach from LaGuardia back to flow control.

Senator D'AMATO. That is not the question. The question is, Why did you use the Cessna instead of Eastern Airlines?

Mr. HELMS. Because you cannot talk with FAA supervision on Eastern Airlines' radios, Mr. D'Amato.

Senator D'AMATO. Are you suggesting that you were supervising as you flew the 45 minutes to 1 hour from National to LaGuardia; is that what you are suggesting?

Mr. HELMS. I am not suggesting, I am telling you that I am in constant contact on other frequencies with FAA installations to determine what is causing delays.

COMMERCIAL TRAVEL

Senator D'AMATO. What you are saying is that when you travel, then, you want to be at all times in touch with everything that is taking place. Is that what you are saying?

Mr. HELMS. No. No, when I travel commercial I do not do that at all.

Senator D'AMATO. When do you travel commercial?

Mr. HELMS. I travel commercial routinely, Mr. D'Amato.

Senator D'AMATO. In terms of your FAA business?

Mr. HELMS. Oh, yes, and I ride the jump seat routinely.

Senator D'AMATO. Would you submit to this committee—as you failed to do to the GAO—indications of that travel?

Mr. HELMS. I did not submit anything to GAO because they did not ask.

Senator D'AMATO. Well, I have it over here that they certainly did. Let me give you an indication of what was said.

Mr. HELMS. I do not know what was said, Mr. D'Amato but the GAO at no time asked me if I traveled commercial last year. I have the tickets.

Senator D'AMATO. Well, we have someone from GAO here and we might want to ask him exactly that question and what your response was.

Do you know someone by the name of Rochelle Claypool?

Mr. HELMS. Mr. D'Amato, I have never talked with the GAO.

Senator D'AMATO. Well, now, if we are going to split hairs as to whether or not your secretary or your office responded to them—who is Rochelle Claypool?

Mr. HELMS. She works in my office, yes, I know her.

Senator D'AMATO. Is she a secretary?

Mr. HELMS. Yes.

Senator D'AMATO. Oh, well. You see? "To GAO auditors, April 7, 1983, Department of Transportation, Federal Aviation Administration." Did you see this little note that I am going to read to you? Are you familiar?

Mr. HELMS. I do not know.

Senator D'AMATO. Well, maybe you should find out what your office is saying.

Mr. HELMS. As long as they are telling the truth I do not mind.

Senator D'AMATO [reading]:

This is in response to your request for copies of Mr. Helms' commercial flight tickets. I have seen Mr. Helms' commercial tickets. He has determined, though, that his privacy is worth more to him than the dollars involved. Therefore, since his personal funds were used to obtain these tickets he declines to furnish them to GAO. As

regards your request for copies of invitations to Mr. Helms in connection with specific trips, Mr. Helms is willing to let the record stand as it is and he believes that there is no need to furnish the letters.

ROCHELLE CLAYPOOL.

Now, no one is interested—and this Senator certainly is not interested—in your personal trips. That is your own business. We are talking about those trips that you have indicated you have taken for Government business.

Now, you said to this committee that you have flown innumerable times commercially in that capacity. Why not furnish us that information?

PERSONAL UNREIMBURSED TRAVEL

Mr. HELMS. Because it is an invasion of my privacy.

Senator D'AMATO. What privacy?

Mr. HELMS. Am I going to be allowed to answer, Mr. D'Amato?

Senator D'AMATO. Yes, go ahead. We are going to——

Mr. HELMS. When I spend my personal money and I do not submit a voucher to the Government, I have no obligation in any way to show how I spend that money. I spend money to entertain FAA employees and in foreign places. I spend my own money.

Senator D'AMATO. I do not ask for that.

Mr. HELMS. That is an invasion of my privacy for you to ask me to submit that to this committee.

Senator D'AMATO. Mr. Helms, if you are suggesting to this committee that anyone wants anything to do with any of your personal funds that are being expended relating to personal affairs, we certainly do not.

But when we are talking about your activities as inspecting—in your words—talking about inspecting the FAA operations and facilities from the jump seat, et cetera, and you have held that forth that you fly commercially for these purposes, then I think for these purposes and these purposes only, those cases where you have demonstrated the expenditure of moneys to ascertain the proper operations of the facilities, certainly we have a right to say, "How many times, when and where?"

Mr. HELMS. I will be glad to furnish the information to the committee of how many times I have flown in the jump seat, if we have it. But as regards the tickets and what I spent when it is my own money, it is an invasion of my privacy, Mr. D'Amato.

Senator D'AMATO. We do not want to see how much money you have spent. I think we are entitled to see how many times you have used the occasion in terms of going out on official business—and I commend you for spending your own moneys for that. That is a wonderful thing. But I want to ascertain, I want to know right out on the table, how many times have you done it? Have you done it?

Mr. HELMS. I am not sure what the question is. How many times I have ridden the jump seat?

Senator D'AMATO. Yes, how often?

Mr. HELMS. I try to make it every other month. For example, Sunday I rode the jump seat all the way. I paid for the ticket, Mr. D'Amato, and nobody else. I did not submit a voucher to the Government. When

I travel on commercial air carriers I do not submit a voucher to the Government.

Senator D'AMATO. Let us take the March 14 trip from Washington, D.C.

Senator ANDREWS. If the gentleman will suspend for just a minute. This is somewhat interesting. As you know, Mr. Helms, as I understand it even those of us—as chairman of this committee I can ride a jump seat if the pilot of the plane says that is all right, but only if I have purchased a ticket on the plane would I feel good about getting in the jump seat. I have not done it. I did it once on invitation but not because it was needed.

You regularly do it because when you are flying commercial you would rather be in the jump seat because you can see how the whole system is working, rather than back reading People magazine or whatever else people read.

Mr. HELMS. It allows me to do two things, Mr. Chairman.

Senator ANDREWS. So, you are working while you are on the plane.

USE OF PERSONAL FUNDS FOR COMMERCIAL FLIGHTS

Now, the intriguing thing that I picked out of this conversation is that you maintain that you have used the Jetstar only for official business and only when you could not fly commercial. That you have flown commercial more often than you have flown the Jetstar since the first of the year by far, and that whenever you fly commercial you pay for that ticket out of your own pocket rather than out of Government funds.

Mr. HELMS. That is absolutely correct, and not just on weekends, Mr. Chairman. I have taken flights from Oklahoma City to Denver to visit the tower there. I have gone to Colorado Springs to investigate how you marry a large computer with communications, all for the Government. I paid for that ticket and did not submit a voucher.

Senator ANDREWS. So, in other words, what Senator D'Amato has unearthed is the fact that we have the very unusual situation of a Government Administrator who has flown out to Oklahoma City or to a host of other places where he is involved 90 to 100 percent of the time in business while he is there. Certainly, you do not have a farm out in Oklahoma, I do not think.

Mr. HELMS. No, sir; that is correct.

Senator ANDREWS. You pay your commercial ticket out of your pocket. You then ride jump seat, and you have not submitted a voucher to the Government.

Mr. HELMS. That is correct. And the reason the GAO did not report it, Mr. Chairman, is they did not ask. Had they asked, we would have been glad to tell them before.

Senator ANDREWS. And given the letter that the Senator has put in the record from your secretary, if it was interpreted by my secretary that they were looking for my personal travel to go home, I probably would have told them the same and so would Senator D'Amato, as he points out.

So, what we now have is an interesting situation. I would be intrigued if you could reconstruct through your office, and I am sure you probably can, the number of times you have, in fact, done this since the first of the year, which would give us an interesting look at—not the amounts or anything like that—but you have gone to a number of these different places in the pursuit of business, paying for the transportation out of your own pocket and riding the jump seat to facilitate the fact that you are working full-time not only when you are there but on the trip back and forth.

I think that is kind of interesting. I think it is a totally different picture than we usually find in these things. I think that if you do not mind it would be most helpful to put that number of trips in the record.

Mr. HELMS. I will furnish that type of information. Mr. Chairman, I have spent 14 of 17 weekends on the road at FAA facilities, visiting people night and day in accordance with the Jones Report and to follow up on the NTSB action where they asked, "Can you take a look at it and see are you bringing the system back onstream too rapidly?"

I do not charge the Government. I just do not charge for any excess over the hotel.

Senator ANDREWS. What you are saying is, 14 out of those past 17 weekends that you have been on the road visiting these facilities, you have paid the equivalent amount of an airplane ticket out of your own pocket and then generally rode the jump seat.

USE OF PERSONAL AIRCRAFT

Mr. HELMS. No; I cannot say that. I am saying I think I only used the Government airplane once. I have an airplane of my own.

Senator ANDREWS. Yes.

Mr. HELMS. I use my own airplane. I do not submit a voucher to the Government, Mr. Chairman. I have never submitted $1 to the Government.

Senator ANDREWS. Those are interesting facts to get out.

Senator D'AMATO. I think they are very interesting and you might for the record suggest those areas where you have used your own plane, Mr. Helms, so that if it is an imbalance which has appeared on the record and if indeed you have—and I certainly do not question the fact if you say that you have used your personal plane to make these inspections, and indeed inspections. And I am not saying to make a trip and then say, "Well, as I am coming in I am going to make an evaluation," because we all understand that can be a very easily accomplished thing.

Then I think that the record should be corrected to fully indicate what has taken place.

Mr. HELMS. Mr. D'Amato, on a given Sunday I may take my own airplane and go to as many as three to five general aviation airfields to see what is happening. That is a violation of my privacy to ask me to account for my time when I am out doing it and not submitting costs. I do that because I am interested in this job.

Senator D'AMATO. I am not questioning, I am not looking into your privacy, Mr. Helms. I am just suggesting that if what you are saying to this committee is that you use your private plane and have been using it regularly to do this to make these inspections, then I for one would applaud that and say, "Here are the examples that he has put before the committee demonstrating this."

Now, I do not say this in an antagonistic way, but if you want to say to me, "Senator, I am not going to tell you or to demonstrate to you that in the course of my conduct of my position what I have been doing," then you will have to live with those consequences.

Mr. HELMS. Well, I am going to have to live with the consequences in any event, Mr. D'Amato. But let us turn it the other way.

You see, most people in Washington do everything they can to get their name in the paper. I spend more time than anybody in this town trying to keep my name out of the paper. All I have to do is start submitting data for the record that starts to say how I use my assets, then there is going to be more and more stuff in the paper.

I prefer my privacy. I do not ask the Government for $1, I do not do it. Each year my salary—except for $1 because I refuse to work for free—I donate to charity. I refuse to let my personal privacy be invaded merely because I went to work for the Government, and I work for $1 a year.

I think I have the right to sustain that privacy.

PURPOSE OF ADMINISTRATOR'S TRIP

Senator D'AMATO. All right, Mr. Helms, I see the tack that you are taking. Let us go back to the trip of March 14, then. It was a round trip which took, all told, 3.4 hours flight time and cost the taxpayers $10,438.

Now, the FAA aircraft request and use record states that the purpose of the trip was for evaluation. However, the Administrator's itinerary record—your record—says, "to be a keynote speaker at the National Air Transportation Association Annual Convention and to dedicate a new tower."

Now, it seems to me that that trip was essentially for the purposes of delivering a speech and not to evaluate the system and a commercial aircraft could have been used, as Congress indicated and as is the law, should have been used as opposed to the Jetstar.

Now, what do you say with respect to that particular utilization of the Jetstar?

Mr. HELMS. Well, I would suggest, Mr. D'Amato, that we go back and review the flight plan because I am sure that form will show the number of sectors that I went through, the number of frequencies that I was in contact with. You will find that if you will examine that flight plan—which is a matter of record—there would be one path taken and another one returned.

Now, I do try to combine things because I just do not have time to make special-purpose trips. It is not unusual for me to leave here and be in New Orleans, go to Oklahoma City, be in Denver.

Senator D'AMATO. What was the purpose of that trip? Was it essentially to inspect the system or was it not to give a speech?

Mr. HELMS. The purpose of the trip was evaluation of the system.

Senator D'AMATO. You really contend that? That is why you went there, it was to evaluate the system. It was not to give a speech?

Mr. HELMS. I gave a speech while I was there, but that was not the purpose of the trip.

Senator D'AMATO. Oh, that was only incidental that you went there and gave a speech.

Mr. HELMS. I try to do that in every case, Mr. D'Amato.

Senator D'AMATO. Well, let me suggest to you by way of the Air Tran News that in December 1982—which I guess is December, January, February—fully 3 months, 4 months before you were featured, "J. Lynn Helms to be featured speaker at the NATA's 1983 Convention and Trade Show, has something for everyone."

Now, are you suggesting to this committee that that was not the major purpose for your going down there? Well, let me suggest that your purpose was to go to give a speech.

Mr. HELMS. You can suggest it, Mr. D'Amato but I would submit to the committee that I saved for this committee the commercial airfare by combining an inflight evaluation with a previously scheduled trip.

So, as far as I am concerned I saved the cost of commercial aircraft.

Senator D'AMATO. You mean instead of costing $500—which of course you never billed anyway—you say that after all, you do not bill, you pay for it yourself—instead of it costing the taxpayers $500 it cost $10,438.

Mr. HELMS. Well, suppose we ask the users how much the efforts of keeping the air traffic control system are worth because, Mr. D'Amato, one person in the United States, one person, laid out the plan to keep this air traffic system going. One person shaped it. One person pulled together the resources. One person drove it 16 to 18 hours a day.

That was the thing that made the economy keep going. I do not have any hesitancy whatsoever that on any trip I make it will help improve that air traffic flow, reduce the delays. It is the best investment we can make.

I would submit that the committee perhaps should have system users come before the committee and ask them if they think that this is unfair use of it.

Senator D'AMATO. The question is whether or not it is appropriate to use the aircraft at $10,000 to go down to Tennessee to give a speech and then attempt to say that the real reason you took that aircraft was because you were evaluating the system.

You could have done it from the jump seat of a commercial plane but you choose to disregard the clear congressional intent, and you continue to mask it and cover up, and talk about how important the system is.

We recognize that the system, and transportation, and aviation is important, Mr. Helms; we recognize that. The committee does not have to be lectured by you with respect to that.

I think if we went over a whole series of your trips we would see that the same pattern has taken place that the GAO has reported on.

Mr. HELMS. Mr. D'Amato, I must correct the statement you made, though. You said that it could have been done commercial. It is not possible on a commercial airplane to be able to talk on separate frequencies with the various centers while you are en route. They do not have that capability.

Second, we, as the FAA, do not have the right to take over their communications en route. I must be able to listen to the normal communications and at the same time on separate frequencies be able to talk to the centers to review the workload. I do that constantly. There is nothing unusual about that.

Senator D'AMATO. Mr. Helms, I would suggest to you that with regard to four other flights, on January 14 you flew from Washington to LaGuardia and back again on the Cessna. The cost was $2,400. The aircraft request evaluation on the itinerary record states it was to, "tour air traffic facilities at LaGuardia." The trip and the tour could have been conducted and the costs would have been $88 on Eastern Shuttle.

Now, if you really want to get a sense of air traffic and how it is working I would suggest to you that rather than tooling out there, having your own private plane, that you go like the Senator from New York and everybody else—wait in line, get in there, get on that plane, wait 15 minutes before it pulls out of the gate; wait another 15 minutes on the runway; speak to the pilot and ask him why, as opposed to your getting out there in your Jetstar or on the Cessna, tooling on up to LaGuardia for $900-some to the taxpayers, and then having the affrontery to say that, "The reason I did that was because I get a better sense and a better perception as to what is taking place," because this Senator just does not buy it.

Mr. HELMS. I am glad you concur with my action, then, Mr. D'Amato because last Sunday I did precisely what you said. I went out, stood in line, got on it. I rode the shuttle down, rode the jump seat down and made numerous notes as to what happened over frequencies coming down.

I said earlier, I routinely ride the jump seat.

Senator D'AMATO. And of course you still say that you do not want to let us know when you routinely do this because that is an invasion of your privacy.

Mr. HELMS. As long as I am paying for it, yes, it is.

REVIEW OF GAO REPORT

Senator D'AMATO. OK. Let us turn to the GAO report regarding the management of aircraft at the FAA. At hearings last week, Mr. Helms, you said you received the report at 2 o'clock on Monday on April 4 and therefore you had not had the opportunity to evaluate it.

However, you did receive the draft on January 13 of this year, which is basically the same report. You were invited to comment on it. Are you going to comment on that now?

Mr. HELMS. I have been requested by the House Appropriations Committee for the FAA to do an analysis of the report and submit it. We have advised them that we will do so. Copies will be furnished to this committee.

Senator D'AMATO. OK.

Senator ANDREWS. Mr. Helms, it is my feeling that what you have told the committee was that the first rough draft of that GAO report was so poorly done and had so many holes and errors in it that you just could not do a job of commenting on it.

When you look at the second one, do you find that it is a better document, something that you can really interact with, or is it similarly flawed?

Mr. HELMS. I have not had a chance to examine it in detail, Mr. Chairman. In general I find that it has the same errors, omissions, inaccuracies, and inadequacies.

Senator ANDREWS. But you and your staff will comment on the second draft.

Mr. HELMS. Yes, we will. The House Appropriations Committee requested that we do a detailed analysis. I agreed that we would, and that we would submit it.

Senator ANDREWS. We understand that, and that is why we felt we would be carboned in on it, so there was not any real need to want you to do something different.

Mr. HELMS. That is right, sir. When we had such a report we would definitely submit it to this committee.

Senator ANDREWS. When it comes in, Senator, we will see that you get a copy.

Senator D'AMATO. Good, because I do have a number of detailed questions. But I would rather that, if you are going to answer in detail and reply with respect to the Alaska trip, the trips out to Arizona—those are the kinds of things I think that the public has a right to have answers to.

Mr. HELMS. As a matter of fact, Mr. D'Amato, I think the public needs to know it and they ought to know it right now. For example, on the departure from Phoenix all you have to do is take a look at a flight plan which the FAA requires, and that lists the destination. One, it is clearly evident that the GAO is in error saying that there was an attempt to go to Scottsdale.

Second, what happened, on takeoff from Phoenix there was an emergency with the hydraulic system. Now then, the hydraulic system that controls the brakes and the flight control system in the Jetstar malfunctioned. Therefore, you look for the closest emergency airfield.

I made the determination that it was dangerous to the populace to try to land an airplane which may lose its brakes, may have a lack of control system, at a busy airport. So, I made the decision to land at Scottsdale.

What happened at Scottsdale? There was over 3 hours of maintenance work done to repair the airplane. Vouchers are on record showing we paid the bill. The GAO could have had that, all they had to do is just ask.

Senator ANDREWS. Might I make the suggestion, Mr. Helms and Senator D'Amato, that since the Administrator is going to submit for the record his comments on this current GAO report, that we hold the record open. Once we do have the report and the comments, then we will leave the question of the report open for Senator D'Amato to ask whatever questions he might want to ask on the record, that you can respond to.

So, instead of talking about nebulous reports that are not in the record and have not been looked at, we will just have a constructive discussion.

[The following information was provided by the Department in response to the several GAO reports:]

LETTER FROM ROBERT L. FAIRMAN

OCT 7 1983

The Honorable Mark O. Hatfield
Chairman, Committee on
Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are three copies of the Department of Transportation's (DOT) reply to the following General Accounting Office (GAO) final reports:

1. The Coast Guard Headquarter's Aircraft Operations: A Costly Way of Providing Transportation (GAO/PLRD-83-45, March 3, 1983)

2. FAA Can Better Manage the Aircraft It Uses to Keep Pilots Current and Provide Transportation (GAO/PLRD-83-52, April 1, 1983)

3. Federal Civilian Agencies Can Better Manage Their Aircraft and Related Services (GAC/PLRD-83-64, June 24, 1983)

The DOT did not respond to GAO on the three reports listed above when they were issued in draft or on the individual reports when they were issued in final. Rather, we advised the GAO that one consolidated Departmental response would be made to all three final reports. The enclosed reply serves as the DOT response to the three GAO reports.

In the first two reports listed above, recommendations are directed to the Secretary of Transportation, while recommendations in the third report are directed to the Office of Management and Budget (OMB) and the General Services Administration. Each of the reports concern the management and operation of DOT aircraft. Some of the most significant recommendations addressed to the Secretary of Transportation are as follows:

- That the U.S. Coast Guard (USCG) be directed to dispose of the two administrative aircraft located at Washington National Airport.

- That commercial flights be used to the maximum extent feasible.

- That the Secretary of Transportation issue a written policy generally prohibiting the transportation of spouses, dependents or other non-official travelers on DOT aircraft.

- That the Administrator of the Federal Aviation Administration (FAA) be required to reassess the Evaluation, Currency, and Transportation (ECT) flight program including review of positions in the ECT program, review of pilots' currency and proficiency levels, and review of flight hour allocation.

- That FAA be required to adequately justify reasons for each flight by properly filling out aircraft use forms.

- That FAA be required to comply with OMB Circular A-76 by reviewing all ECT and logistics aircraft to see if the services they provide can be provided more economically by the private sector.

Subsequent to the issuance of the draft versions of the three GAO reports, this Department established an Aircraft Study Task Force to review the use of Departmental aircraft. This review was directed by the Congress

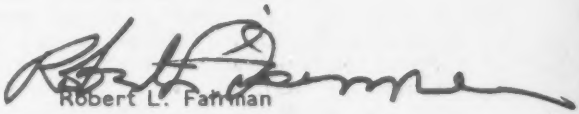
through House Conference Report No. 97-960. The Task Force considered the GAO findings and recommendations in the performance of its review. A number of recommendations for improvement of aircraft management emanated from the review, and the results of the review were provided to the Congressional Committees on Appropriations on April 4, 1983. Since that time, actions have been taken, or are being taken, within the Office of the Secretary, USCG and FAA to implement Task Force recommendations. The highest levels of DOT management including the Secretary, the USCG Commandant, and the FAA Administrator have been closely involved in the effort to review and improve the management and use of DOT aircraft.

The Task Force found, as the GAO had reported, that there was need for improvement in certain areas of Departmental aircraft management. It was determined that a Departmental aircraft policy was needed, that one of the two USCG aircraft located at Washington National Airport should be reassigned, that one FAA ECT aircraft located at Washington National Airport should be reassigned, that the FAA should reassess its ECT aircraft program, and the USCG and FAA should collocate their aircraft operations at Washington National Airport.

As discussed in our enclosed report, all of the above actions have either been completed or action is in progress. We believe that the actions taken, particularly the issuance of the DOT aircraft policy, will have significant positive impact on Departmental aircraft operations. Additionally, DOT has been working with OMB and other Federal agencies in the development of a Federal-wide aircraft management policy. When the OMB policy is issued, this Department will immediately take any steps necessary to update DOT policy to fully conform with the OMB guidance.

If we can further assist you, please let us know.

Sincerely,



Robert L. Fahrman

Enclosures

DEPARTMENT OF TRANSPORTATION
STATEMENT ON GAO REPORTS

I. TITLES

A. The Coast Guard Headquarter's Aircraft Operations: A Costly Way of Providing Transportation (GAO/PLRD-83-45, March 3, 1983)

B. FAA Can Better Manage the Aircraft It Uses to Keep Pilots Current and Provide Transportation (GAO/PLRD-83-52, April 1, 1983)

C. Federal Civilian Agencies Can Better Manage Their Aircraft and Related Services (GAO/PLRD-83-64, June 24, 1983)

II. SUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

A. The Coast Guard Aircraft Operations: A Costly Way of Providing Transportation (GAO/PLRD-83-45, March 3, 1983).

For the period October 1980 through December 1981, the report notes that the two U. S. Coast Guard (USCG) administrative aircraft located at Washington National Airport were used to transport senior Department of Transportation (DOT) and USCG officials, their wives and guests to locations generally served more economically by commercial airlines. Almost $2.6 Million is

cited as the FY 81 cost of operating and maintaining these aircraft. There is an expressed concern that these flights were not justified in terms of time-critical missions, and/or carried only a few passengers. The report recognized the requirement of priority air transportation for high-ranking officials, but expresses the view that there are alternatives to the high cost of dedicated aircraft. The General Accounting Office (GAO) made the following recommendations to the Secretary of Transportation:

-- Direct the Coast Guard to take immediate action to dispose of the two aircraft, and reprogram their support resources.

-- Direct use of commercial flights to the maximum extent possible, and use other government or private commercial aircraft when scheduled commercial flights are not feasible.

-- Generally prohibit the transportation of spouses, dependents or other nonofficial travelers on the Department's aircraft.

B. FAA Can Better Manage The Aircraft It Uses To Keep Pilots Current and Provide Transportation (GAO/PLDR-83-52, April 1, 1983)

According to GAO, Evaluation, Currency and Transportation (ECT) aircraft are used for (1) evaluating aviation equipment and services; (2) maintaining the currency of designated Federal Aviation Administration (FAA) pilots; (3) Providing Very Important Person (VIP) transportation for certain DOT and FAA officials, (4) transporting accident investigation teams, and (5) providing other transportation determined to be in the Government's best interest. The aircraft also are used for testing and ferrying between locations in conjunction with maintenance, and they are used for pilot training. Finally, the aircraft are available for use by other agencies on a reimbursable basis.

Further, according to GAO, FAA's logistics support aircraft are used to transport people, equipment, and supplies in support of other FAA activities. Primarily two aircraft were used for logistics support in Alaska during fiscal year 1981. GAO reported these aircraft flew over 1,100 hours at a cost of about $1.8 million.

The GAO concludes that: (1) only a small percentage of the flying hours were for evaluation purposes; (2) a few pilots flew most of the currency hours while most pilots (950 of 1,337 in the program) did not fly the minimum currency hours necessary to remain in the program; (3) many flights justified as being for currency involved pilots already current; (4) FAA transported passengers who could have flown cheaper on commercial airlines; and (5) some of these passengers were not on official business and should not have been transported at Government expense without specific authorization from Congress to do so.

The GAO maintains that the FAA spent millions to acquire nine regional ECT aircraft without adequate justification and without complying with the provisions of Office of Management and Budget (OMB) Circular A-76, Policies for Acquiring Commercial or Industrial Type Products and Services Needed by the Government. Moreover, the aircraft were not used the way the studies justifying their acquisition said they would be used. Also, GAO states FAA is planning to spend $17 million to buy four leased ECT aircraft and a new logistics aircraft for its Alaska Region without considering less costly alternatives.

The GAO believes that the cost of commercial flying versus transporting passengers on FAA aircraft is not considered because currency flying is given as the justification for flying whose purpose is really transportation. GAO also states the FAA cannot justify the headquarters Jetstar aircraft in its ECT program because the plane has low usage and high operating costs. Moreover, it is used mostly either for transportation, which could have been done cheaper on commercial airlines, or for pilot currency, which was not needed.

The GAO recommends that the Secretary of Transportation require the FAA Administrator to reassess ECT program pilot requirements to ensure (1) that program pilots are in positions that require them to actually fly aboard aircraft as crewmembers; (2) that flight program participants are limited to those that can be supported by the budgeted and programed flying hours; (3) that flight programs are developed and flight hours are allocated so that each designated pilot may meet the program's mandatory currency requirements; (4) that pilots are removed from the program for failure to maintain the required level of proficiency and currency, or failure to meet minimum standards of participation; and (5) that each program pilot is authorized no more currency hours than necessary to meet minimum standards, as previously required by regulations.

In addition, GAO recommends that the Administrator be required to (1) prohibit transportation flights from being justified for currency, unless they are necessary to meet minimum standards; and (2) to adequately justify the reasons for each flight on agency aircraft by properly filling out the "FAA Aircraft Request and Use Record," as required by FAA Order 4040.9A, Operation of FAA Aircraft (Appendix A). These records should also be maintained in accordance with 4040.9A and be reviewed periodically by the Inspector General's Office to verify that aircraft are being used properly.

The Administrator should be directed to establish criteria, guidelines and procedures that require consistent and valid comparisons of the cost of transporting passengers on agency aircraft versus commercial airlines. Also the FAA should be required to use commercial airlines, or less costly means, to transport passengers when it is more economical and it does not interfere with mission accomplishment.

The GAO also recommends that VIP transportation of FAA aircraft be limited to the absolute minimum necessary, that it be permitted only when (1) commercial airlines cannot be used due to mission requirements, and (2) the Government benefits justify the cost of such transportation, and (3) that the Secretary of Transportation issue a written policy prohibiting or more severely limiting the carrying of spouses, other dependents, and other nonofficial travelers on FAA's aircraft.

Moreover, the GAO recommends that the Administrator be directed to charge to the Transportation Appropriation Account the cost of transporting passengers, and that where passengers are transported with a bona fide mission, the applicable cost of such transportation should be prorated between the appropriation accounts on an equitable basis.

The GAO also recommends that the Administrator be directed to reduce the number of ECT aircraft to only those necessary to meet valid program requirements; to conduct an A-76 review of all the agency's ECT and logistics mission aircraft to see if the services they provide could be provided more economically by the private sector; to comply with A-76, as required, when modernizing, replacing, upgrading, or enlarging its aircraft fleet and related services; and to consider less costly alternatives, like interagency sharing and commercial services, before buying either the four Beechcraft King Air F-90's currently being leased or the new logistics aircraft.

In addition, the GAO recommends that the FAA Administrator be directed to require that officials responsible for approving transportation flights be held accountable through their performance evaluation for considering alternate modes of transportation.

Finally, the GAO recommends that the Secretary should direct the FAA Administrator to revise FAA Order 4040.9A to incorporate any DOT regulations issued to implement the GAO recommendations and to strictly enforce the changes.

C. Federal Civilian Agencies Can Better Manage Their Aircraft and Related Services (GAO/PLRD-83-64), June 24, 1983)

In 1977, GAO issued a report on Federal civilian agencies' operation and management of aircraft. At the request of Congress, a follow-up review was conducted by GAO. According to GAO, little has changed in the way civilian agencies manage aircraft since the 1977 report was issued. GAO states that its review has revealed that aircraft management is ineffective and cost systems inadequate. GAO's review covered 19 agencies or offices with aircraft at numerous locations across the country. GAO states that (1) agencies acquire aircraft without adequate justification, (2) agencies make uneconomical use of aircraft to provide transportation, (3) some agency aircraft were underused, (4) limited efforts to centralize control over aircraft have been effective, and (5) agencies are not coordinating aircraft operations.

The following recommendations were made to the Director of OMB or the Administrator of General Services. No recommendations were directed to the Secretary of Transportation; however, the findings and recommendations contained in this report relate directly to findings and recommendations contained in the USCG and FAA reports discussed above. GAO recommends that the Director, OMB:

-- Develop uniform policies and procedures for aircraft management.

-- Require individuals responsible for managing aircraft to compare the full cost of transporting passengers commercially with the cost of transporting them by Government aircraft.

-- Require the use of commercial airlines, or other less costly means, to transport passengers when it is more economical, and it does not interfere with mission accomplishment.

-- Prohibit or more severely limit the transporting of spouses, other dependents, and other nonofficial travelers on Government aircraft, except when such travel is for official Government business.

-- Require that aircraft use justification contain sufficient information for each flight to determine whether the use of the aircraft was prudent, practical, and economical and was in conjunction with an agency mission.

-- Work with agencies in developing overall criteria for a uniform cost accounting system.

-- Revise Circular A-76 to strengthen its application to the acquisition of aircraft and related services.

-- Direct that each civilian agency that has substantial aircraft needs establish a central organization that would have oversight and management responsibilities for that agency's aircraft.

GAO recommends that the Administrator of General Services:

-- Establish a single coordinating office to operate a Government-wide aircraft management information system.

-- Establish aircraft utilization standards to ensure that Government-owned and leased aircraft are justified based on their use for mission purposes.

-- Require agencies to dispose of those aircraft that cannot be justified for mission purposes due to their low and uneconomical utilization.

III. SUMMARY OF THE DEPARTMENT OF TRANSPORTATION'S POSITION

The DOT did not respond to GAO on the three reports identified in Section I, Titles, when they were issued in draft or to the individual reports when they were issued in final. Rather, we advised the GAO that one consolidated Departmental response would be made to all three final reports. This reply serves as the DOT response to the three GAO reports.

The DOT has reviewed the three final GAO Reports. DOT agrees with the GAO that improvement is required in the management of Departmental aircraft and many actions have been taken or are being taken to make necessary improvements. The DOT also agrees that there is a need for uniform Federal-wide policies and procedures for aircraft management. DOT representatives have been working with the Office of Management and Budget (OMB) and other agencies to develop such policies.

In the following section, a summary of actions taken to improve management of DOT aircraft is provided. While each specific GAO recommendation is not repeated, actions taken do relate directly to GAO findings and recommendations.

IV. STATUS OF CORRECTIVE ACTION

Subsequent to the issuance of the draft versions of the three GAO reports, the Office of the Secretary of Transportation initiated a review of the use of Departmental aircraft. This review was directed by the Congress through House Conference Report No. 97-960. The review was performed by a DOT Aircraft Study Task Force with participation by representatives of the Office of the Secretary, USCG, and FAA. The Task Force considered all GAO findings and recommendations in the performance of its review. A number of recommendations for improvement of aircraft management emanated from the review and the results of the review were provided to the Congressional Committees on Appropriations on April 4, 1983. Since that time, actions have been taken, or are being taken, within the Office of the Secretary, USCG and FAA to implement Task Force recommendations. The highest levels of DOT management including the Secretary, the USCG Commandant, and the FAA Administrator have been closely involved in the aircraft usage review and corrective action process. A summary of corrective action is provided below.

On May 24, 1983, DOT Order 6050.1, Use of Department of Transportation Aircraft, was published. This Order establishes the policy that this Department will use commercial transportation to the maximum extent practicable and that flights on DOT aircraft for transportation purposes will be limited to those circumstances where such flights are clearly in the best interest of the Federal Government from an economical or mission accomplishment standpoint. The DOT Order makes the Assistant Secretary for Administration responsible for developing and overseeing the implementation of Departmental policy on the use of DOT aircraft. The USCG Commandant and FAA Administrator are responsible for developing policies and procedures to implement DOT aircraft usage policy and for ensuring that DOT aircraft are managed and operated in the best interest of the Federal Government.

In accordance with the DOT Order, DOT aircraft may be used for the primary purpose of transportation of passengers only when such usage is clearly in the best interest of the Federal Government from an economical or mission accomplishment standpoint. When aircraft are considered for use for the primary purpose of transportation, an economic analysis must be performed. DOT aircraft will not be used when the cost comparison reflects that such usage is more costly than commercial transportation, unless a specific mission objective cannot be met otherwise.

DOT aircraft may be considered for use to transport passengers when the aircraft is being used primarily for some mission requirement and passenger transportation would be a secondary purpose of the flight. In such

instances, transportation of passengers must be in the best interest of the Federal Government and must not interfere with the performance of the basic mission. When transportation of passengers is a secondary purpose of flight, an economic analysis is not required.

Additionally, the Order establishes very high levels of authority for approving transportation of official passengers (both for primary and secondary purposes), emergency situations, transportation of spouses' dependents, and other nonofficial travelers. When spouses, dependents, and other nonofficial travelers are not in an official travel status, the transportation of such personnel aboard DOT aircraft is generally prohibited. The Order also establishes specific levels of authority for approving flights.

Further, the Order requires aircraft use records to contain certain specific flight details, and that such records be maintained for a minimum of three years. DOT aircraft standard cost elements were not published as a part of the initial DOT Order. Publication of standards will be withheld until issuance of Federal-wide standards by OMB.

Both the USCG and FAA have developed proposed directives on aircraft usage to implement the DOT Order. The FAA directive has already been approved by the Secretary and the USCG directive is currently under review in the Office of the Secretary.

The review of DOT aircraft revealed that some of the aircraft located at Washington National Airport could be better utilized at other Departmental locations. One of the two USCG administrative/command aircraft (VC-4A Gulfstream 1-Turboprop) was transferred to the Coast Guard Airstation at Elizabeth City, North Carolina, on September 1, 1983. This aircraft will be used to support USCG mission requirements, including Search and Rescue, Enforcement of Laws and Treaties, Marine Environmental Response, Training, and other activities as required. The remaining USCG aircraft at Washington National Airport will be utilized to support USCG command requirements and other high priority or cost effective transportation requirements.

The equivalent of one FAA aircraft utilized at Washington National Airport has also been eliminated from that location. At the time of the DOT Aircraft Study Task Force's review, FAA was rotating regional aircraft into Washington for use in the ECT program. That rotation has now been discontinued. As part of an overall ECT program review, FAA will further review aircraft requirements at Washington National Airport to determine if a need exists to reassign or eliminate additional ECT aircraft.

With the reduction of aircraft at Washington National Airport, it was determined that it would be beneficial to collocate the USCG and FAA hangar operations into the FAA Hanger 6. The collocation effort is well underway, and we anticipate the USCG aircraft operations to be relocated in Hanger 6 by mid-November 1983. At a minimum, we expect this consolidation will result in a recurring annual savings of approximately $160,000 and will provide an opportunity for improved cross-utilization of USCG and FAA aircraft.

The FAA has undertaken the reassessment of the management practices associated with the ECT program. The first phase of this study was completed in July 1983. A number of actions have been taken, or will be taken, by FAA to improve its ECT program. Some of the actions are as follows:

1. FAA has made an organization realignment which places the accountability for management, operation, and maintenance of the entire FAA Aircraft Program in the Aviation Standards National Field Office in Oklahoma City, Oklahoma. ECT management practices are being reassessed.

2. FAA has clarified which positions are authorized to participate in the ECT flight program. FAA Order 4040.9A will be revised to reflect the following types of positions as being authorized in Washington Headquarters, Regions, and Centers to participate in the program:

   a. Positions which are directly related to the modernization, operation, and maintenance of the National Airspace System.

   b. Positions which are directly related to and support promulgating and/or enforcing Federal Aviation Regulations.

   c. Positions charged with the responsibility for performing special projects related to or concerning safety of flight.

   Certification that individuals authorized to participate in the ECT flight program meet one of the above requirements shall be provided by the appropriate Associate Administrator or Regional/Center Director. The certification will be reviewed and validated annually.

3. FAA has developed an order which implements DOT Order 6050.1, Use of Department of Transportation Aircraft, which has a direct impact on the use of ECT aircraft for purposes of transportation.

4. FAA has identified changes which are required in the aircraft recordkeeping system. Detailed justifications will be required to support that aircraft are being used efficiently and in accordance with established policy.

5. FAA will modify its Aircraft Management Information System (AMIS) to reflect and capture multipurpose missions.

6. FAA has determined that currency, check flights, and proficiency flying need to be better defined and documented. One of the major criticisms that GAO made of FAA's ECT program regarded the apparently low level of pilots that were current. GAO contended that only 29 percent of ECT pilots were current at the time of their review. The DOT Aircraft Study Task Force found that as of March 1, 1983, FAA's ECT pilots had a currency rate of 87.4 percent. It is believed that GAO may have misunderstood the nature of currency and assumed it was based upon each pilot flying a minimum of 48 hours per year. In actual fact, currency can be achieved in a single check ride, by flying 24 hours in six months, or for second-in-command pilots, by accomplishing three take-offs and landings in a 90 day period. Since there can be misunderstandings regarding currency and proficiency, the FAA will be taking steps to improve the definition of applicable terms and document ECT flying as indicated above.

In a preliminary review, FAA has identified a number of changes that are required to existing directives on aircraft management. An indepth review will be made of all appropriate orders, manuals, and forms by October 1983. Proposed changes to orders are to be drafted by March 1984 and it is anticipated that all revised and new orders can be issued and implemented by October 1984.

The DOT Task Force recommended, as did the GAO, that FAA review its aircraft flight operations, particularly the ECT activities, to determine if OMB Circular A-76 could be applied. The FAA has agreed to make the review in accordance with revised OMB Circular A-76.

DOT has participated with OMB and other Federal agencies in the development of a proposed OMB Circular on aircraft management. When the final OMB policy is issued, the DOT aircraft policy will be revised as necessary to fully comply with all aspects of the OMB guidance.

Mr. HELMS. Very good, Mr. Chairman.

Senator D'AMATO. I think that is most appropriate, Mr. Chairman. So, with that I will suspend my line of questioning.

Senator ANDREWS. Mr. Helms, one final thing. The National Transportation Safety Board Chairman recently told the House Public Works Transportation Aviation Subcommittee that NTSB's dealings with the FAA have become tougher in recent years, and that the FAA is not being as responsive to National Transportation Safety Board recommendations as it has been in the past.

For example, they say in contrast with 1981 when FAA adopted 93 percent of their recommendations, FAA only adopted 73 percent last year, according to the Chairman of NTSB.

That is a rather dramatic drop in adopting safety recommendations. How do you account for that?

Mr. HELMS. I would have to go back and examine the specific numbers, Mr. Chairman.

Senator ANDREWS. You could answer that for the record.

Mr. HELMS. I will be glad to do so. I can show you the gross numbers but why the change in 1 year, I just do not have that information.

Senator ANDREWS. I do not know whether it is the quality of the recommendations or whether it is something that you need longer term study, or whatever. The committee would appreciate getting your input on it.

[The information follows:]

FAA's records indicate an acceptance rate of 81 percent for 1982. Attached for the record are copies of three NTSB safety recommendations and the FAA responses indicating reasons for nonadoption.

The Honorable Jim Burnett
Chairman, National Transportation
Safety Board
800 Independence Avenue, SW.
Washington, D.C. 20594

NOV 15 1982

Dear Mr. Chairman:

This is in further response to NTSB Safety Recommendations A-82-43 and A-82-44 issued May 3 and supplements our letters of June 11 and July 19. This also responds to your letter of September 15. These recommendations stemmed from the Board's concern regarding the Sundstrand Data Control, Inc., Cockpit Voice Recorder (CVR) Models AV-557A, AV-557B, and AV-557C Tape Deck Housing Connectors. Some of these CVR products were manufactured with connectors that contain split-ring rather than full-ring sockets. It has been determined that using split-ring sockets may cause CVR's to operate intermittently, give erroneous self test indications, and contribute to sensor or tape-off-reel problems.

A-82-43. Issue an airworthiness directive (AD) making mandatory an inspection (as soon as practical depending on availability of spare units and the capability to replace the defective units) for incorrect split-ring sockets specified in Sundstrand Data Control Service Bulletin Document No. 012-0296-109, dated January 25, 1982, titled "Communications -- Cockpit Voice Recorders/Models AV-557A, AV-557B, and AV-557C/Tape Deck Housing Connector Check," and require replacement of incorrect connectors at the earliest possible date.

FAA Comment. The Federal Aviation Administration's (FAA) Transport Airplane Certification Directorate has assessed the problems cited in Safety Recommendation A-82-43 and the necessity for issuance of an AD. We expect to have the final rule issued by mid-January 1983. We will advise the Board when this final rule is issued.

A-82-44. Disseminate immediately the contents and intent of this safety recommendation letter to the Civil Aviation Authorities of foreign countries having jurisdiction over aircraft using the subject Sundstrand cockpit voice recorders.

FAA Comment. The FAA has reviewed its position and your comments in the dissemination of the Board's information on Sundstrand cockpit voice recorders to the Civil Aviation Authorities of foreign countries. The responsibility for the dissemination of this type of recommendation is within the authority of the Safety Board and is inappropriate for the FAA. On those occasions where immediate action is required in the interest of safety, the FAA will take the necessary steps through existing channels to inform foreign operators (through their respective airworthiness authorities) normally by issuing an AD.

We, therefore, reiterate our position as addressed to the Board in our June 11 letter.

Sincerely,

J. Lynn Helms
Administrator

The Honorable Jim Burnett
Chairman, National Transportation
Safety Board
800 Independence Avenue, SW.
Washington, D.C. 20594

June 11, 1982

Dear Mr. Chairman:

This is in response to NTSB Safety Recommendations A-82-43 and A-82-44 issued May 3, 1982. These recommendations stemmed from the Board's concern regarding the Sundstrand Data Control, Inc., Cockpit Voice Recorder (CVR) Models AV-557A,

AV-557B, and AV-557C Tape Deck Housing Connectors. Some of these CVR products were manufactured with connectors that contain split-ring, rather than full-ring sockets. It has been determined that using split-ring sockets may cause CVR's to operate intermittently, give erroneous self test indications, and contribute to sensor or tape-off-reel problems.

A-82-43. Issue an airworthiness directive (AD) making mandatory an inspection (as soon as practical depending on availability of spare units and the capability to replace the defective units) for incorrect split-ring sockets specified in Sundstrand Data Control Service Bulletin Document No. 012-0296-109, dated January 25, 1982, titled "Communications — Cockpit Voice Recorders/Models AV-557A, AV-557B, and AV-557C/Tape Deck Housing Connector Check," and require replacement of incorrect connectors at the earliest possible date.

FAA Comment. The Federal Aviation Administration's (FAA) Transport Airplane Certification Directorate is presently assessing the problems cited in Safety Recommendation A-82-43 and the necessity for issuance of an AD. We will keep the Board advised of the progress of our assessment.

A-82-44. Disseminate immediately the contents and intent of this safety recommendation letter to the Civil Aviation Authorities of foreign countries having jurisdiction over aircraft using the subject Sundstrand cockpit voice recorders.

FAA Comment. In its review of Recommendation A-82-44, the FAA has concluded that the responsibility for the dissemination of a recommendation of this type is within the authority and responsibility of the Safety Board. Dissemination to foreign airworthiness authorities of NTSB recommendations which specifically call for this type of action is inappropriate for the FAA. There have been occasions when we have felt that immediate transmittal of Safety Board recommendations to either U.S. operators or foreign operators (through their respective airworthiness authorities) was in the interest of safety. However, in some cases where the Board has tasked the FAA to disseminate an NTSB recommendation to foreign operators, unnecessary confusion has arisen as to whether the NTSB recommendation(s) had the mandatory aura of an FAA airworthiness directive. It is therefore our position that if the Board wishes its recommendations transmitted to anyone other than those over which we have regulatory authority, the Board should address and disseminate its recommendations within its own administrative system.

Sincerely,

J. Lynn Helms
Administrator

NATIONAL TRANSPORTATION SAFETY BOARD'S SAFETY RECOMMENDATIONS

Forwarded to:

Honorable J. Lynn Helms
Administrator
Federal Aviation Administration
Washington, D. C. 20591

ISSUED: May 3, 1982

SAFETY RECOMMENDATION(S)

A-82-43 and -44

On January 25, 1982, Sundstrand Data Control, Inc., issued Service Bulletin No. 012-0296-109, "Communications - Cockpit Voice Recorders/ Models AV-557A, AV-557B, and AV-557C/Tape Deck Housing Connector Check." The service bulletin stated: "It has been determined that some CVRs (cockpit voice recorders) were manufactured with connectors that contain split-ring, rather than full-ring sockets. Using connectors with split-ring sockets may cause CVRs to operate intermittently, give erroneous self test indications, and contribute to sensor or tape-off-reel problems."

The Service Bulletin instructed owners of the CVR's how to examine them for the type of connector socket used, and instructed them to contact the factory for replacement of the split-ring sockets. These type CVR's are installed on such aircraft as the Boeing 727, 737, 747, and the Douglas DC-9, and DC-10.

A representative from Sundstrand Data Control confirmed that split-ring connectors were erroneously installed in a number of its cockpit voice recorders and that its plant was currently in the process of replacing them. The erroneous installation cannot be traced by examining equipment serial numbers and can only be isolated by carrying out the examination outlined in the service bulletin.

Since a CVR will not operate properly with a split-ring connector and because of the immense value of the CVR record in aircraft accident investigations, the National Transportation Safety Board recommends that the Federal Aviation Administration:

Issue an airworthiness directive (AD) making manadatory an inspection (as soon as practical depending on availability of spare units and the capability to replace the defective units) for incorrect split-ring sockets specified in Sundstrand Data Control Service Bulletin Document No. 012-0296-109, dated Janaury 25, 1982, titled "Communications -- Cockpit Voice Recorders/Models AV-557A, AV-557B, and AV-557C/Tape Deck Housing Connector Check," and require replacement of incorrect connectors at the earliest possible date. (Class II - Priority Action) (A-82-43).

Disseminate immediately the contents and intent of this safety recommendation letter to the Civil Aviation Authorities of foreign countries having jurisdiction over aircraft using the subject Sundstrand cockpit voice recorders. (Class II - Priority Action) (A-82-44)

BURNETT, Chairman, GOLDMAN, Vice Chairman, and McADAMS, Member, concurred in these recommendations. BURSLEY, Member, did not participate.

Jim Burnett
Chairman

The Honorable Jim Burnett
Chairman, National Transportation
Safety Board
800 Independence Avenue, SW.
Washington, D.C. 20594

JAN 4 1983

Dear Mr. Chairman:

This is in response to NTSB Safety Recommendations A-82-133 and A-82-134 issued by the Board on October 18. These recommendations resulted from the Board's investigation of three accidents involving commuter or general aviation aircraft in which the pilots did not designate an alternate airport when they filed an instrument flight rules (IFR) flight plan.

A-82-133. Issue an operations bulletin directing Principal Operations Inspectors and Flight Service Station Specialists to remind operators that 14 CFR 91.83(a)(9) requires positively identifying an alternate airport when they file for an instrument flight rules flight.

FAA Comment. The Federal Aviation Administration (FAA) has reviewed the three accidents cited in the Safety Board's recommendation letter, and finds no information indicating that failure to file an alternate airport was a causal factor in any of the accidents. We believe that to achieve the highest degree

of system safety, all participants must comply fully with their individual duties and responsibilities. We require all air traffic control (ATC) specialists to report any incident which adversely affects the capabilities of Air Traffic Service (ATS) facilities to provide safe, orderly, and expeditious movement of air traffic. However, we do not believe that requiring our specialists to remind users of their regulatory responsibilities falls within the purview of the mission of the ATS. Implementing this recommendation would be tantamount to requiring specialists to ask pilots, who file IFR flight plans, whether they are qualified and their aircraft are equipped for IFR flight as prescribed by the regulations.

While extenuating circumstances could cause exceptions to this philosophy, we have no information, at this time, indicating the necessity to charge our ATC specialists with this responsibility.

We have prepared and are currently in the process of issuing an air carrier operations bulletin concerning the listing of an alternate airport on an IFR flight plan.

An advance copy of the bulletin is enclosed for your information.

A-82-134. Amend the provisions of Flight Service Handbook, 7110.10F, Change 5, concerning domestic instrument flight rules flight plans to require that the alternate airport designated by the pilot be added to the items to be transmitted to the Air Route Traffic Control Center (ARTCC) as part of the instrument flight rules flight plan.

FAA Comment. We do not agree with the Board's contention that "there is an inadequacy in the IFR flight handling requirements of the Flight Service Handbook, 7110.10F, Change 5, concerning domestic IFR flight plans." The fact that 14 CFR 91.83 requires pilots to file an alternate airport (under specified conditions) does not imply a requirement to transmit that information to the ARTCC. In fact, many of the IFR flight plan items prescribed by Section 91.83 are not required to be transmitted to the ARTCC (i.e., the name and address of pilot-in-command/formation leader, the radio frequencies to be used, fuel on board, number of persons in the aircraft). To the best of our knowledge, the alternate airport filing requirement dates back to the mid-1930's and was designed to insure that pilots had planned their IFR flights to include a safe alternative should they be unable to land at their destinations. Additionally, the filing requirement could facilitate search-and-rescue efforts.

Basically, 14 CFR 91.5 (Preflight Action) requires pilots to plan their flights to include ". . . alternatives available if the planned flight cannot be completed . . . ," and 14 CFR 91.83 provides the specific alternate airport filing requirements.

Essentially, the only information we require to be transmitted to the ARTCC is that which is essential to the provisions of normal ATC services. Furthermore, the statement in 14 CFR 91.83(a) "unless otherwise authorized by ATC . . .," allows individual controllers to waive any of the flight plan information items required by the regulation. A classic example of this authority occurs when the pilot of an airborne aircraft, in direct radio contact with a controller, requires an IFR clearance (airfile). In this case, the controller will invariably obtain only the flight identification, type of aircraft, proposed route, altitude, airspeed, and destination since that is all the information required to provide the normal ATC services associated with an IFR flight. (In many cases, even the airspeed will not be required since controllers can accurately estimate airspeed based on the type of aircraft.) In the case of an airfile, alternate airport information will virtually never be solicited.

An important factor to consider in evaluating the Board's recommendation is the probability of occurrence. In order for a situation (causing a significant threat to system integrity) to exist, all of the following conditions would have to occur:

1. Complete radio failure.

2. Aircraft operating in a nonradar environment.

3. Pilot operating in IFR conditions (and does not encounter VFR conditions).

4. The radio failure occurs during the approach (this would make the time it takes to determine the alternate airport a critical element).

5. The pilot cannot complete a successful approach at the destination and proceeds to his alternate.

The absence of any one of these conditions would result in routine handling of the situation. In any event, the probability of occurrence of all of these conditions is so remote that we believe that any remedial action would be based on extremely unlikely hypothetical assumptions and not on actual system deficiencies. To the best of our knowledge, we have never encountered a situation, involving IFR flight to an alternate airport, that compromised safety within the ATC system.

Another important consideration is the fact that implementation of the NTSB recommendation would not solve all of the problems posed by the existence of the hypothetical situation. That is, we would still not know:

1. How many missed approaches the pilot would execute before proceeding to the alternate.

2. The proposed route and cruising altitude.

Our final objection to the recommendation is one involving cost versus benefit. Simply transmitting the alternate airport in the remarks field of a proposed flight plan would result in the superfluous display of the alternate on every flight progress strip generated along the entire route of flight. Limiting the display to a flight progress strip or strips generated at the destination ARTCC would require a major software redesign of our flight data processing program. Considering our finite computer resources which are already being stretched to their limits, and the fact that we have no information indicating that a problem actually exists, we do not believe that such a redesign could be justified on a cost-versus-benefits basis.

Sincerely,

J. Lynn Helms
Administrator

Enclosure

Forwarded to:

Honorable J. Lynn Helms
Administrator
Federal Aviation Administration
Washington, D.C. 20591

ISSUED: October 18, 1982

SAFETY RECOMMENDATION(S)

A-82-133 and -134

The National Transportation Safety Board has recently investigated three accidents involving commuter or general aviation aircraft in which the pilots did not designate an alternate airport, as required by 14 CFR 91.83(a)(9), when they filed an instrument flight rules (IFR) flight plan. An alternate airport is required to be designated in the flight plan when weather conditions predicted at the flight's destination airport might preclude landing there.

On December 31, 1981, Sun West Airlines Flight 104, a PA-31, N-41070, crashed during a missed approach at Durango, Colorado. The pilot had filed a "canned" IFR flight plan from Albuquerque, New Mexico, to Durango, Colorado, without specifying an alternate airport, although weather conditions at Durango required the designation of an alternate.

On January 3, 1982, a Cessna 414-A, owned and operated by Ashland Properties, Inc., Ashland, Virginia, crashed in a wooded area adjacent to the Hanover County Municipal Airport, Ashland, Virginia, while attempting a VOR nonprecision instrument approach to runway 16 in instrument meteorological conditions. When the pilot, on the day preceding the accident, made an air traffic control (ATC) reservation for the flight, he did not specify an alternate airport. Similarly, at the time of departure, he did not designate an alternate airport even though the meteorological conditions at his destination required such a designation.

On May 28, 1982, a Beech D95A Travelair, N-187Q, crashed into a house in Columbia, Maryland, while attempting an instrument landing system (ILS) approach to runway 10 at Baltimore-Washington International Airport, Maryland. The pilot had filed an IFR flight plan the previous day, at which time it was not evident that an alternate airport was required. Meteorological conditions at the destination airport deteriorated by the time the pilot departed, but the flight plan was not amended to include an alternate airport.

The Safety Board believes that the failure to designate an alternate airport is a potential safety hazard. ATC assumes that an aircraft will land at its destination airport at its expected time of arrival unless notified otherwise. However, if aircraft radio communications are lost en route and weather conditions preclude landing at the destination airport, ATC will not know the airport to which the aircraft pilot intends to proceed as an alternate.

Further, there is an inadequacy in the IFR flight handling requirements of the Flight Service Handbook, 7110.10F, Change 5, concerning domestic IFR flight plans. The identity of the alternate airport designated by the pilot is not one of the items that is required to be electronically transmitted to the Air Route Traffic Control Center (ARTCC) as part of the IFR flight plan; rather, the information is retained in the Flight Service Station (FSS) to be made available upon request. Accordingly, if communications are lost between an aircraft making a missed approach and the ARTCC, time-consuming and routine-disturbing procedures must be undertaken by the air traffic controller to ascertain the alternate airport from the FSS where the flight plan was originally filed.

Therefore, the National Transportation Safety Board recommends that the Federal Aviation Administration:

> Issue an operations bulletin directing Principal Operations Inspectors and Flight Service Station Specialists to remind operators that 14 CFR 91.83(a)(9) requires positively identifying an alternate airport when they file for an instrument flight rules flight. (Class II, Priority Action) (A-82-133)
>
> Amend the provisions of Flight Service Handbook, 7110.10F, Change 5, concerning domestic instrument flight rules flight plans to require that the alternate airport designated by the pilot be added to the items to be transmitted to the Air Route Traffic Control Center as part of the instrument flight rules flight plan. (Class II, Priority Action) (A-82-134)

BURNETT, Chairman, GOLDMAN, Vice Chairman, and McADAMS, BURSLEY, and ENGEN, Members, concurred in these recommendations.

By: Jim Burnett
Chairman

RESIDUAL FUNCTIONS OF CAB

Senator ANDREWS. Finally, what will be your proposal to Congress regarding the assumption of residual functions of CAB? How are you going to insulate these functions from day-to-day political concerns? What organizational and policy principles are used as a guide to structure this transition, and how do you envision the process working if DOT were to assume these functions?

Mr. HELMS. First, of course, that is completely outside the FAA. In the discussions I had with Secretary Lewis in 1981 I took the position that I really believe it is to their advantage to keep FAA a technical agency. It is associated with safe and efficient use of the airspace.

So, therefore none of the CAB functions we are talking about would come into the FAA. It would be in DOT. We would not be involved in any way.

Senator ANDREWS. But your feeling is that it probably would be better from the way you look at it if it were folded into DOT?

Mr. HELMS. I do not think I have studied it enough, Mr. Chairman. I do not know enough about the CAB function. I just do not think it should be part of the FAA. I think we should keep the FAA out of route structuring and rates, and that sort of thing.

Senator ANDREWS. You can supply for the record whatever additional comments you might wish to make.

Mr. HELMS. Very good, sir.

Senator ANDREWS. Senator D'Amato?

Senator D'AMATO. Mr. Chairman, just one question.

JOBS BILL

Mr. Helms, possibly you could give us an overview in terms of how the $150 million that Congress provided by the jobs bill through the ADAP program is being spent, what is taking place, and what kind of time schedule do you see in trying to get some of those funds out.

Mr. HELMS. Yes, sir. We have been held up, up to now, because you recall in the language it had to have a priority for unemployment.

Senator D'AMATO. Yes.

Mr. HELMS. We only got that yesterday from the Department of Labor. That indicates 21 States will be affected. Now we can start to work on it and my judgment is that within 60 days we will have most of those out. We could not move until we got that Labor Department ruling on what the unemployment rate was.

Senator D'AMATO. Let me suggest to you if I might, by way of review, I believe that it goes into more than just 21 States. It takes in the so-called high unemployment areas, the three-tiered targeting approach. It now takes in counties within all 50 States.

So, I think maybe you should look into that. I do not know what the Labor Department came down with. I am certainly going to look into it.

Mr. HELMS. You may be correct, Mr. D'Amato.

Senator D'AMATO. I understand. So, in other words, we are reaching that point in terms of designating the high unemployed priority areas.

Mr. HELMS. As I said, we only got it yesterday.

Senator D'AMATO. Yes.

Mr. HELMS. But my indication is that we were to go to 9.4 percent and higher unemployment.

Senator D'AMATO. Right.

Mr. HELMS. Based on that, there were 21 States that were affected. I do not know if it is broken down in subdivisions lower than that. I am not that familiar with the language.

Senator ANDREWS. I might point out, that is our leader's, Senator Hatfield's.

Senator D'AMATO. Yes; it is in the Hatfield formula.

Mr. HELMS. And it is down to cities and municipalities, or less than State?

Senator ANDREWS. Half of it, as we understand, goes under the Hatfield formula; and half of it, we understand, is able to go under the old formula.

Mr. HELMS. Yes. But Mr. Chairman, our problem was that in those areas, those States, if we did not have enough applications on record we did not know how much funds we are going to be allowed. So, we had to have the ruling.

We will be moving out shortly now that we have the ruling.

Senator D'AMATO. There is a certain proportion that goes to the 21 States and then the balance thereafter to other States.

Mr. HELMS. If we had not had those 21 States have enough applications on record, we did not know the dollars. We will be moving out, though, quite rapidly now with it.

Senator ANDREWS. If you are confused about that, do not feel badly, there are a number of other agencies that are in the same boat.

SUBMITTED QUESTIONS

I appreciate very much your appearance here today. Senator Chiles has a number of questions for the record as I do, and other members of the subcommittee may as well, Mr. Helms.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

RECENT AIR CRASHES

Senator Andrews: The impressive safety record established by the U.S. air carriers during 1980 and 1981 came to an end last year when, in January, the Air Florida B-737 struck the 14th Street Bridge here in Washington, the World Airways DC-10 ran off a slippery runway and into the harbor in Boston, and then in July, when the Pan American B-727 crashed into a residential area after takeoff in Kenner, Louisiana. All three of those accidents involved issues which have been identified during previous accidents: winter operations necessitating the deicing and anti-icing protection of airplanes; takeoff and landing operations on snow- or ice-covered runways; operations in the vicinity of thunderstorms, microbursts, and associated windshear conditions; and inseparable with these issues is the ability of responsible personnel to detect conditions hazardous to flight whether it be the braking action on a runway or the location and nature of a windshear, and the communication of such essential information to the pilots through the air traffic control system. Following the Air Florida accident, and again after the accident report was considered, the Safety Board issued a number of recommendations to the FAA concerning both general actions and specific actions necessary to prevent recurrence of that type of accident. We are aware that FAA initiated several of these actions. Do you believe that air carrier maintenance personnel have in fact given adequate guidance since the accident regarding the most effective methods to deice airplanes and that flightcrews have better appreciation for the anti-icing protection (or lack thereof) of deicer solutions? Explain.

Response: Yes. The FAA issued a large variety of advisory circulars, orders, notices, maintenance bulletins, and related publications concerning operations during winter weather and adverse weather conditions. These, and other training material, were compiled into one comprehensive document and mailed in the summer of 1981 to all air carriers and other segments of the aviation industry. We believe that information and guidance has been tailored to fit the needs of every operator and is presently reflected in their training programs and operational procedures.

Senator Andrews: The Safety Board's report identified several incidents wherein pilots experienced a pitch-up after taking off in icing conditions in Boeing 737 airplanes. The Board recommended that the FAA address this potential problem by either requiring a modification of the airplane wing thermal anti-ice system for pre-takeoff application of heat to rid the wing leading edge of ice contamination, or revising the takeoff airspeed schedule to provide additional control margin. The FAA has not taken action that we know of. Would you comment?

Response: The FAA position on the Safety Board's recommendation to require a wing thermal anti-ice system or to require revised takeoff airspeed schedule is that we will continue to monitor the results of Government and Boeing research on ice contamination effects on aircraft performance, handling, and fluid deicing products and procedures. Appropriate action will be taken if this research uncovers safety issues that have not been addressed.

The FAA and the manufacturer have taken several actions to emphasize proper operating procedures including the following:

1. FAA Air Carrier Operations Bulletins (ACOB) Nos. 7-81-1 and 7-82-2 were issued March 11, 1982. No. 7-81-1 once again stresses the criticality of keeping aircraft clear of ice and snow prior to takeoff. No. 7-82-2 details the effects of Pt2 probe blockage on JT8D series engine performance. This bulletin amplifies the definition of ground icing conditions and emphasizes the importance of proper anti-icing procedures during ground operations.

2. A new FAA Advisory Circular AC 20-117, Hazards Following Ground Deicing and Ground Operations in Conditions Conducive to Aircraft Deicing, was approved December 17, 1982, and alerts personnel to hazards of icing conditions.

3. A revised Boeing 737 Operations Manual has been sent to all B-737 operators. Included in the Supplementary Procedures revision is information for improved stall margins, when excess runway is available, by use of improved climb (takeoff overspeed) procedures for selected flap positions.

4. The Boeing 737 FAA-approved Airplane Flight Manual (AFM) is also being revised to include similar information and is planned for issuance to all operators by June 1983. Incorporating this information into the two manuals assures its availability to all operators, augmenting on a permanent basis the Operations Manual Bulletin 81-4, dated June 5, 1981.

5. Boeing has also prepared a detailed training film on winter operations, 500 copies of which were distributed to operators prior to November 1, 1982.

6. The Federal Aviation Administration (FAA) issued General Notice No. 8320.262, dated February 23, 1982, and Maintenance Bulletin No. 127, dated July 13, 1982, entitled "Aircraft Deicer Fluids," to alert field inspectors to the problems associated with airplane deicer fluids and dispensing equipment. These publications emphasize adherence to the procedures set out in the manual for the operation of fluid dispensing equipment and for the quality control of incoming shipments of deicer fluid.

7. The FAA has issued a new Maintenance Bulletin No. 128 entitled "Responsibility for Aircraft Servicing." We have reviewed an advance copy of the bulletin which directs field inspectors to emphasize to their assigned certificate holders their responsibility under the Federal Aviation Regulations for the proper servicing of their airplanes even though arrangements have been made with other persons to perform the work.

On January 14, 1983, the FAA approved the B-737 ground thermal anti-ice system. Associated with the approval is a revision to the FAA-approved AFM which stipulates that the system is not to be used as a substitute for ground deicing/anti-icing and inspection procedures which are necessary to comply with operating rules. This measure was taken to clarify the intended purpose of the system and to inhibit flightcrew reliance on the system as a procedural alternative.

B-737 PITCH-UP

Senator Andrews: Many people believe that the Air Florida accident might have been averted if pilots had an accurate and reliable means of monitoring takeoff acceleration. What efforts, if any, is FAA taking to support the development of equipment or procedures for this purpose?

Response: Aviation authorities, both in the FAA and industry, are not convinced of the necessity for an additional cockpit device to monitor takeoff acceleration. As of this date, the FAA knows of no such reliable device. The many variables associated with takeoff performance mandate a unique device which is not only able to accommodate a wide variety of environmental conditions but is also cost effective. The issue of reliability is the major concern. Accident statistics have shown that aborted takeoffs from at or near V_1 (takeoff decision speed) account for the majority of fatalities as opposed to aircraft that have experienced a malfunction and continued the takeoff. Therefore, the reliability of any such device would have to meet extremely high levels so as not to erroneously generate aborted takeoffs.

We believe adequate instrumentation is currently available in transport category aircraft cockpits to monitor engine performance. If correct engine performance is confirmed, calculated takeoff performance will be achieved provided runway clutter (snow, slush, standing water) limits stated in the relevant operations manual have not been exceeded. In the Air Florida Palm 90 accident, it has been determined that engine performance had not been properly confirmed, i.e., the proper correlation between engine instruments did not exist because of a partial ice blockage of both engine PT_2 probes.

Senator Andrews: The Air Florida accident also highlighted shortcomings in the emergency response and particularly the water rescue facilities to cope with the situation as it existed. Would you comment regarding improvements and present capabilities at Washington National Airport?

Response: The airport maintains its water rescue fleet to supplement that maintained by the District of Columbia which has the overall responsibility for water rescue on the Potomac and Anacostia Rivers. The Air Florida accident did highlight some shortcomings in the area's overall water rescue capability. Even though some enhancement and adjustments had been planned in the airport's water rescue plan, they had not been totally implemented at the time of the accident. Based on what was learned during the Air Florida rescue effort, a number of program adjustments have been made. A 40-foot boat with some modest ice breaking capability

has been added. Training has been enhanced even to the point of including some scuba diving capability. Projects are underway to improve and relocate our boat storage and launching facilities. These efforts, when added to the District's capabilities, have greatly enhanced area water rescue capabilities.

RUNWAY FRICTION

Senator Andrews: When do you envision that actual work will start on this program, and of how much value will the work already accomplished in the National Runway Friction Measurement Program be to this new program?

Response: We envision that work will begin in the summer of 1984. The National Runway Friction Measurement Program does not relate to this program as it is designed for maintaining and improving runway pavement surfaces. Deterioration of pavement surfaces occurs due to excessive rubber deposits, excessive wear of pavement surface texture caused by aircraft tires and changes to pavement drainage surfaces.

Senator Andrews: Braking action reports by pilots are subjective, especially when these reports are transmitted to the pilot of a subsequently landing airplane, which may be heavier and land faster than previously landed airplanes. How is FAA addressing this problem?

Response: The FAA and the National Aeronautics and Space Administration (NASA) are currently formulating a runway friction test program to be accomplished by NASA. The Congress has allocated fiscal year 1983 funding for the program. We believe this effort will result in a means to provide runway braking condition information which has a more quantitative basis than subjective pilot reports.

Senator Andrews: What effort, if any, is the FAA taking to support development of an accurate, reliable runway friction measurement procedure which could be used to provide pilots with less subjective runway condition reports?

Response: The FAA and the National Aeronautics and Space Administration (NASA) are currently formulating a test program to study the correlation between aircraft braking performance and runway friction measurements. We expect this effort will provide runway braking condition information which has a more quantitative basis than subjective pilot reports. This effort will focus on the validation of the NASA-Langley prediction theory which is the result of long-term research on anti-skid braking systems, runway drainage, tire and runway interactions, improved friction measuring vehicles, and pilot braking techniques. This effort is building on past FAA/NASA research in correlating various ground friction measuring vehicles (diagonal braked vehicle (DBV), Mu-meter and Saab friction tester) on wet and dry pavements.

SLIPPERY RUNWAYS

Senator Andrews: Does the FAA believe additional runway length margins are needed to assure safety during takeoff or landing operations on snow- or ice-covered runways? Why?

Response: With regard to the general issue of takeoff and landing safety including additional runway length margin, the FAA sponsored the Transport Airplane Takeoff Performance Requirements Conference in Seattle, Washington (November 16-20, 1981). This was a public technical conference attended by industry, government, and foreign aviation authority personnel. Additional runway length margins for takeoff and landing operations on contaminated runways (i.e., standing water, slush, snow) were discussed at length. The Aerospace Industries Association of America (AIA) offered to form a broad-based industry study group to review the results of that conference and to make recommendations from the conference proceedings to the FAA. The Joint Aviation/Industry Landing and Takeoff Performance Task Group was formed to accomplish this task. It has held its second meeting, and we understand it is making good progress. The task group includes members from AIA, the Air Line Pilots Association, Air Transport Association of America, Flight Safety Foundation, National Air Carrier Association and Regional Airline Association. Until the Task Group's recommendations are available for review, the FAA plans no further action relative to changing current takeoff/landing runway safety margins.

WIND SHEAR

Senator Andrews: With regard to the Pan American accident in Kenner, Louisiana, it is widely known that the airplane encountered a thunderstorm and wind shear as it took off. The wind shear hazard had been illustrated by at least eight major air carrier accidents during the past ten years. The FAA placed high priority on its wind shear program after the Eastern Air Lines accident in New York in 1975. Yet the recent accident shows that the potential for more accidents persists. Other than the installation of low level wind shear alert systems (LLWSAS), what action has the FAA actually implemented to prevent these accidents?

Response: The FAA has taken a threefold approach to the wind shear hazard problem in the terminal area: (1) development and implementation of improved forecasting techniques and procedures for predicting and reporting low level wind shear in the terminal area, (2) placement of wind shear detection equipment on the ground and transmitting the information to the pilot, and (3) installation of airborne wind shear alerting and guidance equipment, or detection and avoidance equipment, to provide the pilot with "real time" information if a wind shear phenomenon is encountered. In addition, a joint program is underway called Joint Airport Weather Studies (JAWS) which will help characterize the hazard even further. The FAA is also programming a terminal doppler radar for future installation at airports which will identify wind shear more accurately. Finally, an updated version of the current wind shear film is being produced to increase awareness of the potential hazard, as well as educate pilots regarding techniques available to counteract the severe wind shear encounter.

Senator Andrews: There have been allegations that the LLWSAS is only marginally effective -- that the system is more capable of monitoring a gust front passage but could miss a hazardous microburst -- and that even when the system alarms there are no positive procedures established to inhibit the pilot from taking off. Would you comment?

Response: The LLWSAS was developed and installed to provide alerts from low level wind shears generated by gust fronts. The microburst phenomena had not been identified when the LLWSAS implementation decision was made. Efforts are currently underway at New Orleans to tighten up the LLWSAS system so that it can detect microbursts in the immediate area of the airport. If this effort is successful, then the remaining systems will be modified. The information from the LLWSAS is provided to the pilot to use in making his decisions to take off or land. Because of the many variables involved in these decisions they are best made in the cockpit.

WIND SHEAR ADVISORY CIRCULAR

Senator Andrews: The FAA Technical Center has expended some effort to evaluate airborne instrumentation to help a pilot in the event he fails to avoid a wind shear. The FAA recently issued a draft advisory circular defining the requirements for such a system. Should this be made mandatory for our U.S. air carrier fleet?

Response: The research sponsored by the FAA and NASA, which was completed by SRI International Aviation Systems Laboratory, evaluated airborne instrumentation to help a pilot cope with an inadvertent wind shear encounter. The final conclusion, as documented in FAA-RD-79-117 report, indicated that there were realistic wind shear conditions that, occurring on takeoff, exceeded the aerodynamic and thrust capability of the airplane. An attempt to make a takeoff in such a situation, even when aided by the airborne instrumentation evaluated, cannot be negotiated by pilot action.

Therefore, until a technological breakthrough is made which would enable these airborne devices to be utilized successfully for both takeoff and departure wind shear encounters, as well as approach and landing encounters, these airborne devices should not be made mandatory. The FAA's best cost analysis for mandating even the systems which are currently available was estimated to be in the area of 800 million dollars.

The FAA does encourage the voluntary installation of any equipment which would help alleviate the low level wind shear hazard.

Senator Andrews: Other than the LLWSAS, several technologies have been examined for the detection and definition of wind shear in terminal areas. Of these, only the microwave Doppler radar appears to be receiving present consideration. How soon do you foresee the installation of this next generation radar, and what problems do you anticipate?

Response: Installation of the Next Generation Weather Radar (NEXRAD) and the FAA NEXRAD terminal derivative is expected to begin in 1988 and to be completed by 1992. We do not anticipate any unsolvable problems; however, the developments of automatic weather hazard detection algorithms, radar siting and scanning strategies, and display formats are the subjects of ongoing technical investigations. These efforts are underway at Government laboratories, universities, and private research/development facilities.

WIND SHEAR

Senator Andrews: Do you believe that interim measures must be taken to prevent another wind shear accident?

Response: We believe the program the FAA has developed is sufficient to prevent future wind shear accidents. Of course, as is the case with all predictions of aviation associated flight hazards, the assumption must be that the flightcrews will utilize all information available to them to make appropriate decisions with respect to the level of hazard associated with the environmental conditions existing at the time of the flight.

EXCHANGE OF WEATHER DATA

Senator Andrews: Are you taking any action to improve communications between National Weather Service observers, Air Route Traffic Control Center personnel, and local controllers in the terminal area to assure awareness of hazardous weather and to assure that pilots are given current and comprehensive weather conditions during takeoff and landing operations?

Response: We have initiated the following changes to clarify and strenghten procedures for reporting airport conditions including braking action to arriving and departing aircraft.

(a) Specific information regarding the updating of Automatic Terminal Information Service (ATIS) message based on braking action reports including the requirement to advise aircraft of a change in the ATIS code.

(b) Specific guidance concerning the relay of information about runway braking conditions to airport management.

(c) The major operational change is the development of a new procudure, BRAKING ACTION ADVISORIES. This procedure was added to ensure that each arriving and departing aircraft is informed in a timely manner of runway braking action when runway conditions are changing rapidly or when information has been received from pilots or airport management which indicates the quality of runway braking action has been seriously degraded. When the message, "BRAKING ACTION ADVISORIES ARE IN EFFECT," is carried on the ATIS, control-

lers will inform each arriving and departing aircraft of the reported braking action for the runway being used. When the arriving or departing aircraft is a heavy jet, controllers will, when possible, include the most recent report from a heavy jet. During this period controllers are also asked to solicit braking action reports and advise airport management when reports of "poor" or "nil" are received from pilots.

(d) Information concerning the solicitation of pilot reports (PIREPS) of cloud base/s, and top/s which has been contained in another FAA directive has now been included in the Air Traffic Control Handbook.

(e) A requirement to solicit PIREPS of braking action when, "Braking Action Advisories are in Effect," was added to the Air Traffic Control Handbook.

(f) Procedures have been amended to allow controllers to furnish runway friction measurement readings/values obtained by several types of friction measuring devices. Previous wording was limited to MuMeter readings. Controllers will continue to provide this information only on pilot request and then only as received from airport management.

FAA WEATHER PROGRAMS OFFICE

Senator Andrews: Will the Weather Programs Office coordinate all FAA weather activities, ranging from short-term programs resulting from the National Airspace Review Program to longer-term R&D programs such as Next Generation Weather Radar (NEXRAD)? If not, what FAA office is responsible for the weather-related recommendations contained in the aforementioned reports?

Response: The Weather Program Coordination Office serves as the FAA focal point for aviation weather. Through the vehicle of an Aviation Weather Plan it will coordinate short as well as long term programs. It will assist the operating services in day-to-day interchanges between users and other Government agencies, but will not replace them. Its location in the engineering side of FAA ensures that it will track the longer term R&D efforts. The Weather Program Coordination Office is working closely with National Airspace Review effort to ensure that the weather portion of the National Airspace Review gets proper attention.

Senator Andrews: Is the FAA Weather Program Office adequately staffed to manage properly the FAA response to all of these outstanding recommendations as well as to coordinate on-going R&D weather-related programs?

Response: The staffing of the Weather Program Coordination Office appears to be adequate for the task. It will be carefully monitored and its staffing adjusted if workload projections do not materialize as anticipated.

HUMAN RELATIONS

Senator Andrews: Please summarize briefly the findings of the "Jones Committee" regarding needed improvements in Human Relations at FAA, along with what actions you have taken as a result. Provide additional detailed information for the record.

Response: Basically what the Jones Committee said to us in the area of Human Relations was that we had, in the past, promoted people to supervisory and managerial positions who were technically oriented and not people oriented. Further, that our organizational culture bred supervisors who were unyielding, "Theory X" managers who saw our system working through regulations and agency orders instead of through the interaction of people. Finally, we were told that not only did we not foster effective communications and employee participation but that we did a poor job of preparing our managers to address these areas.

A copy of the Jones Committee's "Conclusions and Recommendations" is attached for inclusion as detailed information for the record.

The actions taken by the FAA to address these issues, and other areas identified by our own internal evaluation, are many and varied. We call the total effort our "Human Relations Program" though it is actually an ongoing, long-term process rather than a fixed-term "program."

What we have undertaken to accomplish is the virtual changing of our organizational culture so that we can more effectively promote and maintain the most positive work environment possible.

Some of the major specific actions we have taken are as follows:

— Creation of a Human Relations Policy Committee chaired by myself and with membership including senior managers from both the headquarters and regions and representing, in terms of their agency experience, the major career options within the FAA. This committee was the focal point for planning our change effort.

— Hiring of 13 Human Resource Specialists each with a proven track record in the field of internal and external Organizational Development consulting. One of these GS-14 specialists was assigned to each of the regions, centers, and headquarters and reports directly to the Deputy Administrator. We have also hired a GS-15 Human Resource Manager to coordinate the entire HRS program; he reports directly to me.

— Establishment of over 800 employee participation groups. These elected groups take the form of Human Relations Committees, Facility Advisory Boards, Supervisory Committees, Quality Circles, and other Quality of Worklife groups. These

groups provide a forum for local two-way communication between supervisory and nonsupervisory employees as well as a real and continuing means for employee participation in the agency's decision-making process. Quality Circle technology is used extensively, and training for participants continues as a high priority effort to ensure success of the groups.

— Human Relations skill areas have been added to the job descriptions and performance standards of our managers and supervisors. It is now very clear that our managers must be competent in dealing with people as well as technology.

— The supervisor's training course was made pass/fail. Attendees must now demonstrate proficiency in the course objectives before passing and must pass the course before becoming a supervisor.

— The curriculum of our Management Training School (MTS) was changed to reflect a significant increase in Human Relations skill transfer courses.

-- Start of the Airway Science Program which will provide college graduates for the FAA from some of 40 universities that are qualifed and willing to participate. The curriculum emphasizes aviation, electronics, science, and management and will provide us with people who will become our future technician-managers...people uniquely qualified to serve aviation as we move into the particularly demanding era of transition just ahead. We expect our first graduates from this program in 1984 from the University of North Dakota.

— The Academy training program for all air traffic controllers has been changed to include Human Relations training. In fact, the first 8 hours of the curriculum now address this type training and the Human Relations thread is continued through the remainder of their training program.

— Senior managers, whose support and understanding is critical to the successful implementation of the "new" approach, were all sent through an executive level overview course at MTS.

— Our training budget was increased substantially to accommodate the necessary training or retraining of our future and current supervisors.

-- Conduct of a Human Resource Strategic Planning Conference attended by all of our top management team (directors and associate administrators) for the purpose of consensually determining where or what the FAA should be 3 to 5 years in the future in terms of our Human Resources; the creation of a common vision of what we want so that we could all bend our efforts to achieving it.

— Emphasis on a Management By Objectives (MBO) approach to carry the vision of the future and necessary implementing objectives down through the entire FAA chain; further, emphasis on the interactive nature of the MBO process as opposed to just the objectives themselves.

-- Enhancement of all available communication vehicles: publications made "two-way" vehicles; "all-hands" meetings conducted by senior managers; recorded phone messages; increased use of meetings and tele-conferencing; etc.

— Guidance to all senior managers that all meetings and conferences will be used as vehicles for the advancement of some aspect of the Human Relations program. All conference agendas must reflect this theme and our HR Specialists are assisting to ensure that each HR effort is germane to, and consistent with, the purpose of the conference.

— Increased use of "diagonal slice" groups (representatives from all levels and all elements of an organizational element) to formulate major policies or complete major projects.

— Institutionalization, or the weaving into the FAA fabric, of the changes started so that the momentum currently building is maintained through the years required to bring about the level of change necessary to actually produce the desired organizational culture.

-- Design and implementation of a system for evaluating the "program" on a regular basis which will be capable of providing evaluation data on an installation and subject area basis to allow for system-wide analysis and comparison and corrective measures on a specific basis.

These are only some of the major efforts currently underway at the FAA. They indicate, however, the scope and direction of our efforts. As to the effectiveness of our work to date, I would like to quote from the Jones Committee again. This time I quote from their March 1983 review of the FAA program 1 year after issuing their initial report:

"As a body we were favorably impressed with the progress made by the FAA towards correcting these problems. The agency, through a solid commitment by its top managers in Washington, beginning with the Administrator and Deputy Administrator, has made great strides towards improving both the climate and working relations in the agency between supervisors and employees.

The FAA has moved further since we issued our report than we would have thought possible, given the long-standing nature of the problems that have afflicted the agency over the last 20 or so years. In the short time since our report was issued, you've made a significant start. Of equal importance to us, you recognize there still is a long way to go. Attitudes have begun to change, trends of the past reversed and movement started to ensure a positive, healthy work environment for both managers and supervisors.

The FAA programs as described to us are truly exciting, very impressive, very close to the target, very powerful. In short, we were really impressed by the progress made to date."

MANAGEMENT AND EMPLOYEE RELATIONSHIPS WITHIN THE FEDERAL AVIATION ADMINISTRATION

Conclusions and Recommendations

As this report was being submitted, Congress and interested parties were beginning consideration of a twenty-year plan for the further automation and major restructuring of the federal airways control systems. A major premise was the need to plan for the safe and orderly handling of air traffic that would be about twice the present volume by the year 2000.

The human consequences of the proposed changes are major. Designing a proper way, for instance, in which one hundred people in each of three different facilities can be moved to combine with one existing facility employing two hundred people to achieve a largely relocated and retrained complement of four hundred people operating with new systems is as complex a planning problem as developing a new, computerized control console.

The analyses and conclusions of this report argue that four basic changes have to occur within the FAA in order to create employee and management relationships capable of delivering professional service to a growing and changing airways system.

I. The FAA needs to emphasize in its statements, in its planning, in its actions, and to its supervisors and managers that development of human resources reflecting an appropriate concern for employees is an important and necessary responsibility.

   A. In past years, the FAA has emphasized rules, regulations, and equipment as the means for separating aircraft. The goal was to have employees obey the system with too little regard for the impact on the work of those who performed the tasks.

   B. Air traffic controllers are those who finally deliver to air space users the service of safe separation of aircraft. Most of the FAA's activities support this function. As a personal service, the FAA must have quality controllers supervised by skilled managers in a working environment that features close teamwork.

   C. Leadership within the FAA needs to be knowledgeable about aviation and competent technically but it must, first of all, be proficient in the development and motivation of people. The initial step to this end is to constantly and insistently place this responsibility before those who govern and administer the activities of the FAA.

II. The FAA needs supervisors and managers with a high level of leadership skills.

   A. In past years, supervisors and managers in the ATC System have been promoted from the ranks of controllers. Their skills have been

control of aircraft traffic instead of people. The management development program has used mobility to train managers to the various functions within the organization rather than in leadership skills. The selection of a person for management promotion has more often been based on prior acquaintance with the one doing the selecting than on leadership credentials.

B. A program of identifying, developing, and promoting qualified supervisors and managers should incorporate the following:

1. All employees entering the Service take a battery of skill tests. These tests should include standards of measurement and specific instruments to help assess supervisory-management interest and aptitude.
2. All entering employees are first interviewed. This experience should include a rating by the interviewer of the applicant's managerial potential.
3. Most new employees receive a multi-week training program at the FAA Academy in the rudiments of air traffic control or other job skills. A certain number of these students who satisfy applicable screening standards, should receive extended training, perhaps of two to four weeks, in the elements of supervision. Performance on the screening tests and the Academy program should become part of the candidate's permanent record.
4. Graduates of the Academy ATC training and the recommended extended session on supervision should be encouraged to enroll in management courses near the facility to which they are assigned as developmental controllers. In addition to continued in-service training as ATC's, these selected employees should be part of a continuing in-service training directed toward supervisory and management skills.
5. There will be developmental controllers and fully qualified personnel who later in their careers demonstrate the potential, or express the interest, in a management role. Within each Area (to be discussed later) there should be a Human Resources Management Committee, appointed by the Area manager and composed of facility chiefs, that reviews the credentials of such people and selects those for whom inclusion in supervisory training is merited.
6. The Area Human Resources Management Committee should track the career of each manager below the chief level, including management trainees among the controller group, and recommend to the selector those most appropriate for any open, permanent management position above the first level of supervision.
7. A Facility Human Resources Management Committee, appointed by the chief and composed of employees within the facility, including controllers, should review the credentials of all candidates for first-level supervision and recommend to the chief those most qualified.
8. An FAA Human Resources Management Committee, appointed by the Administrator should screen and recommend candidates for positions of facility chief and above, including

persons whose qualifications have been earned outside the air traffic system, plus establish policy and guidance when needed for the Area and Facility Committees.

9. The FAA has, in the past, performed exceedingly well the tasks of aircraft separation. In large part, this was due to the attention and resources dedicated to the selection and training of air traffic controllers. To carry out more effectively its responsibilities for leadership of people, it must devote the same level of attention and resources to the selection and training of managers.

III. The FAA needs to revise many of its systems in order to better match the characteristics of its task with the responsibilities of its employees.

A. In past years, the FAA has been, particularly within the ATC System, a centralized organization of staff-centered authority, with a rigid set of rules and policies, concerned with giving commands and unconcerned with providing communication and participation to those expected to obey commands, and sensitive to performance measurement that emphasized overtime, traffic counts, and system errors. The business of the FAA, however, has been performed by professionally-oriented field employees dealing with operating conditions rapidly becoming larger, more variable, and more complex at the local level, causing, in part, human problems to which the structure was insensitive and unresponsive. It was not unlike the experience of a new business that grew beyond the grasp of those who started it and who failed to provide a system to manage a bigger, more diversified, more complex set of activities.

B. The FAA needs to control the variability in air traffic activity. A freely accessible airway causes peak pressure on equipment, systems, and people; and growing idleness of these resources during the valley periods of traffic activity. This phenomenon creates inefficiency, and troubled working relationships.

1. The present policies of flow control and airways reservation need to be maintained for a time and tailored where possible to the interests of users and the public.

2. It should be possible to substitute a market pricing scheme to encourage smoother patterns as an alternative to mandated control. A smoother demand on a long-term basis would appear to be a major advantage to the investment and management in airports, airlines, FAA facilities, and other elements of aviation.

C. The FAA will continue to face some level of variability even in a controlled access system. Transportation of all types confront variability because of time cycles in the lives of people. The FAA needs to adopt flexible staffing through the testing of the following programs to better align its costs and working relationships to varying traffic demands.

1. Part-time controller personnel qualified for peak-level operations.
2. Split-shift assignments.
3. Systematic use of overtime schedules.
4. Non-controller duties for selected personnel to perform in slow traffic periods.
5. Voluntary transfers for seasonal variations.

D. The organization of the FAA has placed in Washington various staff offices to formulate policies, rules, and procedures dealing with the design of the tasks to be performed. The authority to direct the field resources, including people, in the accomplishment of the task has formally centered on the offices of the Regional Directors who report to the Administrator. In reality, the Washington staff has made most field decisions leading to a technical bias in operating decisions, a feeling of being bypassed by regional offices, and a problem of adequately understanding and communicating with several hundred field facilities having different characteristics. A clearer and more appropriate delineation between staff and line authority is needed.

1. Reporting to the Administrator should be an executive in charge of ATC-AF Services (referred to in Exhibit 27 as "AT-AF Associate Administrator/Deputy").
2. Reporting to the ATC-AF executive should be an executive (or executives) in charge of ATC and AF Staff dealing with those functions that design the work to be done.
3. Reporting to the ATC-AF executive should be a number of Area ATC-AF Field Managers to whom all ATC and AF facilities in the designated areas would report. These managers should be housed at major ATC-AF facilities and their number should be based on a reasonable span of control (about 20 facilities reporting to each area manager).
4. Reporting to the Area managers should be whatever staff is required to coordinate with the disciplines within the ATC-AF Staff in headquarters.
5. The offices of Regional Directors should provide agency staff work to the ATC-AF field operations. Regional Directors, in addition to managing their continuing responsibilities, should perform an oversight of the separated ATC-AF operations in concert with the Associate Administrator and the Administrator.
6. Within facilities, the Administrator's present plan for structured staffing, creating more skill specialization and competition within air control tasks would seem appropriate.
7. The recommended emphasis on traffic load management, companioned with flexible staffing and the organizational restructuring of the ATC-AF, appear to be compatible with the Administrator's recently announced plan. Together they should greatly strengthen the capability of the FAA to perform the task of which it is expected and in a manner promoting efficiency, effectiveness, consistency, and improved working relationships.

E. Performance measurement and evaluation programs should be modified to include:

1. Multiple "over-the-shoulder" evaluations and machine testing for controller personnel.
2. Periodic evaluation of a manager's performance in meeting performance objectives and developing a good management-employee working environment.

IV. The FAA, if it implements the recommendations made earlier, will have dedicated itself to the development of human resources, will have programs to train and promote outstanding managers, will have smoothed the demand for its services and balanced its staffing plans to variable demand conditons, and will have adopted an organizational structure that is more clearly and more appropriately aligned to its functions and its future plans. Finally, the FAA needs to incorporate several changes in what might be termed the style with which management and employee groups relate to each other.

A. In past years, some FAA managers have believed that the best way to get work done is to be a "tough, demanding, unyielding boss who is respected for being able to control aircraft." A few managers have in recent years rejected "Theory X" management and attempted to keep employees "happy." All managers need to be helped to see that there is a better way.

1. The FAA has prepared good job descriptions. People seem to know what is expected of them. This important element should be maintained.
2. The FAA has a mission and a tradition that people see to be exciting and worthwhile. This important element should be even more emphasized in orientations, training sessions, and publications.
3. The FAA is a complement of people largely dedicated to their task and who enjoy their work. This important element should be cherished and emphasized at every opportunity.
4. The FAA is composed of people who deserve pats on the back and support from supervisors. Such encouragement should be found in daily relationships between supervisors and subordinates and less the purpose of formal awards.
5. The FAA has a system of regular performance appraisals and feedback. This important element needs to continue to define areas of improvement but, as importantly, recognize areas of achievement.
6. The FAA has attempted programs of obtaining participation of all employees in appropriate studies, projects, and decisions. This important effort should be continued and made more attentive and responsive to the input being received.
7. The FAA, under the initiative of Mr. Helms and Mr. Fenello, has emphasized improved communication from headquarters to the field. This important element needs to be expanded and companioned with an equally intense system of communication from the field to headquarters.

8. The FAA is an organization that knows its tasks and is dedicated to doing it well at all levels. There is no reason why it should not be a proud team with everyone working openly and supportively with each other.

B. In past years, the FAA has dealt with air traffic controllers through the PATCO union and contract, both of which having been rendered inoperative by the illegal strike. A part of the contract established certain rules of the shop, created a system by which employees could grieve alleged errors, and provided counselors with whom employees could discuss problems. All three functions need to be served.

1. The FAA should publish a manual of employee rights and responsibilities that clarifies the basic rules within which everyone works together.
2. The FAA should provide a system to consider employee complaints within the ATC group since no individual should be expected to be a victim of a mistake that happens on occasion in even the best intentioned and well-managed organizations.
3. The FAA should provide human resource specialists within each area on a basis of one position to each 400 employees. These specialists should help subordinates and superiors understand the rules, work out problems, and communicate better; assist employees in the processing of deserving complaints through an orderly procedure; provide some advice on career planning, retirement planning, and assist in management training. They could also help the facilities communicate with their communities and help organize employee activities.

C. In past years, the FAA has actively moved people between positions and facilities as a means of management development. This policy of mobility is helpful in many ways. The personal costs of relocation have become recently either a major burden on employees or a horrendous cost to organizations with more liberal moving benefits than accorded government employees.

1. The policy of mobility should be adjusted, at least temporarily, to economic reality. In-facility career paths should be encouraged and new assignments within different facilities within reach of an existing residence should be emphasized.

D. In recent months, the FAA has requested Congressional approval of a legislative pay package. The elements dealing with premium pay equity and training assignment pay premiums appear particularly worthwhile.

E. In past years, each level of FAA management seems to have been unaware of how employees below that level felt about factors affecting their jobs and their working relationships.

1. A survey of employee opinions and attitudes should be made about every two years.
2. The results of these surveys should be summarized and reported to all employees.

3. Items of concern to employees should be discussed with employee groups by their managers, indicating those things that either would be or could not be changed.

F. In past years, the FAA has studied whether or not the stress in air traffic control work is damaging to the health of its employees. It found that it is not. There is some evidence and a great deal of testimony that, at some point in time, with age nipping at reflexes and close-calls nipping at confidence, an air traffic controller needs to move back or away from high traffic positons. Programs to allow job assignment flexibility for high seniority controller personnel should be continued and strengthened.

G. In past years, many authorities have cited the importance of people finding ways to vent the stress that builds up in their lives and work.

1. FAA facility managers should schedule periodic rap sessions, talk-it-out conferences, debriefing meetings after "hairy" shifts to help relieve tension.

2. Air traffic control work, when added to the real-time training of developmentals, does create anxiety among people who take their tasks seriously. In this context, a relationship with supervisors that provides encouragement, support, and approval is critically important. If the relationship is felt as constantly critical, harping on mistakes, and eager to discipline, then anxiety is hyped to a more serious and often debilitating level. Evidence indicates that management needs to be more supportive in busy times and more demanding of sharper concentration in low-traffic times.

H. In recent years, the pay cap on the compensation of federal employees has created serious compression between positions. The morale of those affected is understandably low and little financial motivation exists to seek greater responsibility.

1. From the Administrator, to the Secretary, to the President, it is important for the problem to be recognized. Those impacted seem not to expect an immediate solution but they plead for a plan to be devised and pressed upon Congress. It is difficult to see how the management performance can be enriched without a correction in this de-motivating, inequitable situation.

These action programs are only part of those suggested by the total report and its supporting data. The FAA, too, has already begun to work on many other useful changes in its determination to correct past deficiencies and meet future challenges. It is also true that many more worthwhile improvements in management-employee relationships will emerge from a more involved and a more appreciated initiative within field facilities. The importance of strengthening the management and employee relationships within the FAA cannot be overstated.

To deal successfully with the subject of this report is a massive undertaking. It will require time, perseverence, and resources. The members of the Task Force are well aware of the magnitude of change recommended in this report. But the determination and eagerness to build a model organization and a distinguished record of public service pulses throughout the FAA. It is a tough job. The FAA is, however, a tough group of people who are capable of doing it, and doing it well.

Senator Andrews: I would like to quote from a recent "Journal of ATC" article: ". . . let us analyze the typical characteristics and personality of an air traffic controller: He is intelligent; has a quick mind; tends to be a perfectionist, impatient with anything slow or incompetent; is aware of his authority; is conditioned to issue orders expecting instant compliance; knows that his job demands perfection; thinks he's the best controller in the world; is very decisive, precise, confident, sure of himself, and cocky to the point of being arrogant." Now, "let us compare these traits to the skills and personality required of a successful supervisor: He should be aware of people's needs; have patience, tolerance; be a good listener; have good understanding of human nature; must be deliberate and often defer his decisions; must be helpful; must accept the fact that not all human beings are superstars; must realize that most people's problems do not have instant solutions; must have genuine feelings and respect for fellow human beings; be humble yet firm; and above all, he must possess a great deal of common sense." Thus it seems clear that controller-supervisors cannot supervise people the way they controlled air traffic. The individual must make drastic changes in terms of perceiving and working with people. What specific actions are you taking to facilitate this difficult transition from managing traffic to managing people? What priority and importance do you attribute to this problem? How does your budget reflect this?

Response: Your perception that there is a drastic change required by air traffic controllers (ATC) as they make the transition from managing air traffic to managing people is shared by us at the FAA. This critical development of our Human Resource talent is a matter of highest priority with us as you can see from my response to the previous question.

As I stated earlier, those were only some of the major initiatives we have undertaken. In response to this specific question, I would like to note some of the other specific actions we have taken to address the issue you have highlighted:

-- We have changed the screening and testing process used to select our ATCs so as to obtain a higher caliber individual.

— Not only have we changed the curriculum at the Academy to induce Human Relations training for our future ATCs, we have begun retraining our instructor cadre in the broad field of interpersonal skills so that the human relations emphasis is maintained throughout the training experience in both content and the training process.

— So important do we regard the point you have raised that within our Air Traffic Service we have created a new Human Resource Division which is charged with assisting in the development and coordination of initiatives to achieve the desired future state within Air Traffic.

-- The Airway Science Program bears special mention again as it is a means of providing the FAA with people who will start their FAA career with much of the training and breadth of vision we seek to develop in our supervisors.

-- We are currently deliberating on ways to cross-train our managers to provide future leadership with more breadth of vision and less parochial an approach as has been the case in the past with many of our "single-service" career managers.

-- We have established an extensive self-improvement program covering the full range of Human Relations/managerial/personal effectiveness subject areas and have made this material available through books, video cassettes, and computer-based instruction modes.

-- Our Human Resource Specialists are providing a variety of onsite experiential training programs designed to give not only new theory and ideas to our ATCs but a more immediate sense of dealing with people in a more understanding and effective way.

Again these are only some of the major initiatives we have taken. There are many more "smaller" or subtler efforts ongoing to initiate or support the type of change we see as necessary to change our Air Traffic culture from its current emphasis to one more supportive of the positive work environment we intend to create.

CONTROLLER MORALE

Senator Andrews: Last year the Jones Committee report concluded (p. 68) that "Morale is very poor, at almost all levels." When asked about this last year you stated that the failure of Congress and the Administration to agree on a pay raise for these employees was the "Major item that caused morale to go down." The controllers have had a pay raise for 6 months. However, according to a recent survey, 68 percent of those responding feel that morale has declined during the past 6 months. What is your assessment of the morale of your employees and on what is your assessment based?

Response: I am unaware of any survey yielding results such as you have cited. The only survey that we know of that may have provided data such as you quote would be a recent National Transportation Safety Board (NTSB) report that was withdrawn by that agency after the findings were discredited by experts within NTSB who found that the sample base was much too small and the generalized findings could not be supported statistically or otherwise.

My assessment of morale within the FAA is that it is generally very good. I say "generally" because it does vary somewhat across the system. We have installations where, by performance indicators and employee statements, morale is extremely high. We also have installations where consolidation efforts are expected to impact and whose employees are understandably concerned and exhibiting less

than peak morale. Additionally, we are now 6 to 8 months into the intensive Human Relations program referenced to earlier. Part of our initial effort was to conduct local surveys and small group assessment sessions all across the FAA. The results of these efforts, while providing a cathartic effect for our employees and providing us a specific data base for our change initiatives, have also raised the expectations of our people.

On the whole, I am certain that, while not where we intend to be a year from now, the morale in the FAA is currently very good. I base this assessment on first-hand observations that I have made during numerous visits to our field facilities (in one recent period spending 14 of 17 weekends visiting field locations) talking to our people in open forums. In addition to visiting ground facilities I have continually conducted evaluations from the air - from the cockpits of FAA, private and commercial aircraft. These experiences permit me to measure the effectiveness of the air traffic control system and the apparent mood and efficiency of our people who are working in the system. Since the first of this year I have checked the system in this manner, including four occasions from the cockpit "jump seat" on PA Flights 101 and 330 and on EAL Flights 1491 and 1501.

Additionally, my mail serves as an indicator of morale. During my first year at the FAA I received very few positive letters. Now I receive them regularly.

Other sources of information include the feedback I receive from our 12 Human Resource Specialists. All of these people are professionals with proven track records in the field of Organizational Development. They have the expertise to assess our situation and the open channels of communication to convey our true organizational posture to myself and the Deputy Administrator. Stationed as they are in each of our regions, centers and our Washington headquarters, they provide a clear picture of our overall system with no hesitancy to "call it like they see it."

Frequent visits by our directors and associate administrators provide another source of information.

Still another source are the comments and data provided to us through routine surveys and reports that were already part of our information system.

Finally, a highly valued source of information is that which we receive from people attending our various training centers. Our Executive School, the Management Training School, and the FAA Academy all provide us a continuous stream of information giving us another look at the morale pulse and current issues in the agency.

Flight Recorders

Senator Andrews: The FAA has said that it will issue a Technical Standard Order (TSO) on general aviation flight recorders as soon as the Society of Automotive Engineers (SAE) has approved

its draft standard on the subject. What are you doing to expedite completion of the SAE standard, and when do you anticipate completion of the TSO?

Response: The SAE standard is in the Committee's final approval process. It will be available to the FAA for reference in a TSO in fall 1983. The final TSO will be published in early 1984.

Senator Andrews: Once the TSO for general aviation recorders is issued, do you intend to require their use in high performance general aviation aircraft?

Response: The FAA is reviewing the need for cockpit voice recorder (CVR) and flight data recorder (FDR) equipage aboard the general aviation aircraft. A determination will be made in May 1983 concerning whether or not we should proceed with an Notice of Proposed Rulemaking to require the general aviation CVR/FDR.

Senator Andrews: Recent post-accident readouts of several CVR tapes have indicated that the recordings are of inferior quality. In this age of the inexpensive, high fidelity, portable personal recorder, what is FAA doing to assure that CVR tapes are of satisfactory quality?

Response: The maintenance procedure for the present CVR's have been reviewed and changes made to maintain the certificated quality of the recordings. The CVR equipment in question is being further evaluated to determine if replacement is appropriate.

Senator Andrews: The foil-type FDR is still being used as the crash recorder on the majority of air carrier airplanes in the U.S. It is technically obsolete, has had a poor performance history in recent accidents, and records only five airplane parameters versus time. What plans does the FAA have to replace these recorders with digital recorders specifically designed to be plug compatible with the old style FDR?

Response: The FAA is reviewing the need to replace the foil FDR aboard commercial aircraft. A determination will be made in May 1983 concerning whether or not we should proceed with an Notice of Proposed Rulemaking to require a multiparameter digital FDR.

Senator Andrews: Older airplanes are being modified to extend their service lives (e.g., new engines, new cockpit displays). What plans does the FAA have to upgrade the required parameter lists for airplanes presently in-service and certificated before September 30, 1969?

Response: The FAA is reviewing the need to upgrade the foil FDR aboard extensively modified commercial aircraft. A determination will be made in May 1983 concerning whether or not we should proceed with an Notice of Proposed Rulemaking to require a multiparameter digital FDR.

Senator Andrews: New airplanes will contain extensive digital avionics systems, TV screen type displays, and other new technologies which will minimize information obtained from wreckage examination. Also, new versions of airplanes certificated before September 30, 1969, are forthcoming; these will contain the most modern digital avionics systems and displays, although they are

required to carry only a five-parameter recorder. Will FAA be upgrading the parameter lists for all newly manufactured air carrier airplanes so that these lists will be more comprehensive than 14 CFR 121, Appendix B?

Response: The FAA is reviewing the need to replace the foil FDR aboard newly manufactured commercial aircraft. A determination will be made in May 1983 concerning whether or not we should proceed with an Notice of Proposed Rulemaking to require a multiparameter digital FDR.

CVR'S and FDR'S FOR ROTOCRAFT

Senator Andrews: Relatively small helicopters are now carrying passengers between downtown areas and airports. What provisions are you considering for requiring CVR's and FDR's in these aircraft?

Response: A review and analysis of a potential requirement for CVR's and FDR's in certain categories of rotorcraft is in process. This review includes consideration of provisions for CVR's and FDR's in all multiengine, turbine-powered rotorcraft certificated to carry six or more passengers and manufactured after a specific date.

CONTROLLER STAFFING

Senator Andrews: Mr. Helms, we understand that you have revised your controller staffing standards since August 3, 1981, the day of the strike, with the effect of reducing controller staffing from about 17,300 to approximately 14,000 employees. You have, I believe reduced the total number of sectors in the ARTCC's to 550 from 709. How does this staffing standard take into account the varying and growing level of traffic? Won't this seriously reduce the capacity of the system? Does your plan call for sufficient numbers of controllers to permit airlines to schedule their aircraft the times and places they desire? If you have underestimated the need, aren't we in a position of another 2-3 years of FAA-imposed constraints while we train a new cadre of controllers? Are your washout rates greater than anticipated?

Response: We have reduced the number of sectors from 721 to 575. The objective of resectorization was the optimization of sector design based upon evaluation of functions performed, traffic volume, operational complexity and traffic flows. The new sector design provides for a 30 percent future growth in traffic load within each sector. We have reduced the number of sectors, but the capacity of the system has not been impaired. The system redesign allows us to respond to and accommodate the varying and growing level of traffic.

As the developmental controllers now in training reach the full performance level, we will be able to remove the present constraints. Airlines will be able to schedule their flights as they see fit. Prestrike flow control will still be used to control traffic peaking. Our goal of a 14,000 controller work force will be adequate to handle foreseeable traffic loads. There will be no need to reimpose constraints on traffic.

Our washout rates at the FAA Academy are somewhat higher than before the strike, but not higher than anticipated. Many

of our prestrike students had military air traffic control experience. Since the strike, that group has been trained at field facilities and has experienced a relatively low washout rate. We adjust for changes in attrition rates by varying the hiring schedules for new developmentals.

MILITARY CONTROLLERS

Senator Andrews: How many military controllers are still working at the FAA as air traffic controllers? When will all the military controllers be released and returned to their military units?

Response: As of the end of March, 49 military controllers were working at FAA facilities. Plans are for all military air traffic controllers to be returned to their respective services and units by the end of June this year as they will no longer be required for augmentation of FAA controller staffing.

ON-THE-JOB-TRAINING

Senator Andrews: The National Transportation Safety Board's followup special investigation of the ATC system resulted in four safety recommendations in the early stages of the investigation which cited deficiencies in on-the-job training for controllers. Of most serious concern were the facts that newly certified developmental controllers were conducting OJT for other trainees immediately after being certified at a control position and before gaining experience at those positions. Also, the previous requirement of receiving instructor technique training before performing OJT was waived for these newly certified controllers. Why were these important standards overlooked as part of the recovery process? Have actions been taken to remedy these problems? What effects have these matters had on the quality of the overall controller work force?

Response: They were not overlooked. It was simply a matter of priorities to effectively utilize available resources. Our primary concern has been rebuilding the system as safely and rapidly as possible. We were not in a position to remove controllers from operating positions for 40 hours to attend such a course. Additionally, the instructor technique course does not impact safety. Its purpose is to enhance the interpersonal skills of the OJT instructor and improve their communication skills. The waiver period will end May 1.

We have established the following requirements for individuals to meet prior to administering OJT:

1. They must be certified on the position.

2. They must have at least 30 "solo" hours on that position. (This follows intensive classroom and OJT they themselves have received leading up to position certification.)

3. They must be certified by a supervisor to perform OJT based on observation of the individuals performance on that position. Incidentally, this evaluation/monitoring is not a one time thing but an ongoing continuous program.

In January we conducted an appraisal to verify the qualifications of controllers hired since August 3, 1981. The appraisal involved 21 facilities and 82 controllers who were monitored on position for 2-3 hours. Of the 82, 18 were highly qualified, 63 were qualified (satisfactory) and 1 was questionable. The one controller in question was counseled, monitored and reevaluated which resulted in a satisfactory rating. We feel this sampling is typical of our overall work force.

STRIKE RECOVERY AND FLOW CONTROL

Senator Andrews: The FAA has continued to announce the lifting of restrictions for ATC users and the increase in traffic flow and volumes to the present 90 percent of prestrike levels, while many serious controllers work extended workdays and weeks and supervisors continue to work control positions fulltime. What actions have been taken to ensure adequate first-line supervision of the controller workforce, many of whom are recently certified and lack experience?

Response: Each new controller who completes our training program and is certified by a first-line supervisor cannot be expected to have the depth of experience of a seasoned journeyman. They have been trained, tested and found qualified to provide air traffic control service, in accordance with established standards and procedures, under general supervision. This simply means an operationally qualified and experienced supervisor or controller, in charge of an operational area, is readily available to provide assistance or assume the control duties as necessary.

The number of first-line supervisors in our control facilities has not changed significantly since before the strike and is not expected to change. Our first-line supervision has been adequate and will continue to be so.

Incidently, the fact that recently certified controllers lack depth of experience is not a recent development. It was prevelant in many facilities prior to the strike due to personnel turnover through tranfers, promotions and increased controller staffing when additional control positions were established. We are well acquainted with this phenomenon and do not view this as an area for special concern.

STRIKE RECOVERY AND FLOW CONTROL

Senator Andrews: How do you plan to provide adequate supervision of the workforce as the restrictions are lifted and traffic volumes increase, which presumably decreases the margin for error?

Response: Our supervisory staff is adequate now to accommodate an increased traffic volume. However, restrictions are lifted only when new controller personnel become sufficiently trained and certified to provide service to a larger volume of traffic. The size of our first-line supervisory workforce has not changed significantly since before the strike and is not expected to change.

CONTROLLER STRESS

Senator Andrews: How have you managed the existence of stress and/or fatigue in the controller workforce during the period since the controller strike?

Response: We have emphasized to supervisors the importance of knowing their people and to be alert to symptoms of fatigue and stress and to take action whenever required. We have centralized air traffic flow control to reduce airborne delays and to keep operational demand within system capacity. We actively evaluate/monitor programs wherein air traffic evaluation specialists regularly visit field facilities to review air traffic operations and controller performance with emphasis placed on reviewing workload/environment conditions relative to controller fatigue and stress. We have placed special emphasis to ensure that our training and performance review programs are of high quality because we believe these programs are key ingredients to reduce the likelihood of job induced stress and fatigue. In this regard, we have begun the development of an individual performance quality control program for controllers that will lead to the correction of minor deficiencies before they can become serious. This program provides a system by which very early indications of performance deficiencies are recorded and followed up before they can develop into bad habits that could create control problems. Such a system would permit more careful monitoring of individual performance and facilitate prompt corrective action. This individual quality control program would apply to both controllers and supervisors who engage in active control work.

These actions have given us a solid foundation to monitor fatigue and stress and to lessen the likelihood of problems.

Senator Andrews: What program(s) do you have in place nationally and in facilities to monitor and manage controller workload, stress and/or fatigue as the system returns to prestrike traffic volumes?

Response: We have a program to centralize traffic flow to reduce airborne delays and to help alleviate controller workload.

In addition, we have incorporated a one hour program at the FAA Academy on stress management. This presentation is designed to give a brief overview of reasons and causes of stress, as well as an introduction into ways to cope with stressful events more effectively

We are exploring other avenues to determine the feasibility of incorporating a program of stress awareness. In the interim we have emphasized to supervisors the importance of knowing their people and to be alert for symptoms of fatigue and stress and to take appropriate action when needed.

FLOW CONTROL

Senator Andrews: What flow control procedures and flight restrictions now exist at airports and centers and what is your specific plan for removing these restrictions?

Response: Flow control procedures have not substantially changed since before the strike. We are using "Quota Flow" procedures to reduce the impact at arrival airports and reduce airborne delays, and miles-in-trail to reduce congestion in the air route traffic control centers for the en route portion of flights. Strike imposed restrictions currently in effect are airline slot allocation and the General Aviation Reservation (GAR) Program. On January 21 we announced a systematic plan, to remove both of these programs. There have been five airports removed from slot allocation to date, with seven more airports scheduled to be removed by mid-summer. Additional airports will be announced as facility staffing and system capacity increase. The GAR program and slot allocations are being removed in stages. First, each center will drop GAR and slot restraints for all flights that do not leave their airspace. Second, centers will be grouped as to their geographical area (i.e. Western, Central, Southeastern, and Great Lakes/New England) and GAR restraints released within each group of centers. Lastly the groups will be brought together until GAR is eliminated throughout the entire country. All strike imposed restraints will be removed by December 1983, except at a few locations; however, pre-strike flow control will still be used to control traffic peaking.

Senator Andrews: The Chairman of the National Transportation Safety Board recently warned that FAAs haste for reestablishing the Nation's Air Traffic Control System in the aftermath of the 1981 Air Traffic Controllers strike might be too rapid and could lead to accidents. What is your response to that concern?

Response: Additional flights are authorized only after a thorough review at Headquarters, the Regions, and the facilities and only after I am personally convinced that there are sufficient controllers available to handle the additional flights. What has been happening, in fact, is that the airlines are taking more slots than they are actually able to use. Last November and December we allocated an additional 1,555 daily landing slots to the 29,305 daily arrivals already approved for the February and March 1983 schedule period. Thus, the system could have handled 30,860 arrivals daily at airports across the United States.

During the busiest day in March, the air carriers had actually scheduled 29,703 arrivals. Thus, there were 1,157 fewer arrivals than we could have safely handled.

Between now and the end of August, we will be adding additional controllers to the system. At the slot allocation session for May and June, we allocated 886 additional arrivals. If past practice is any indication, only about 25 percent of these additional slots will actually be used. Today we are making available an additional 818 arrival slots for the July and August schedule periods. We do not expect all of these slots to be taken and we do not expect the airlines to use all of the ones that they do take.

AIRPORT TRAFFIC CONTROL TOWERS
AND
FLIGHT SERVICE STATIONS

Senator Andrews: Many control towers and flight service stations remain closed or at reduced operating hours as a result of actions following the controllers' strike. Provide a comprehensive list of these for the record.

Response: As of April 30, 43 control towers remain closed temporarily and 217 are operating at reduced hours of operation.

As of April 30, 3 flight service stations are closed temporarily and 51 are operating at reduced hours of operation. These FSS actions are not directly related to the strike but as a result of staffing shortages and the need to realign the FSS workforce for optimum efficiency and effectiveness.

The following is a list, alphabetical by state, of ATCT's and FSS's which are closed temporarily or operating at reduced hours temporarily as of April 30, 1983.

Legend:

FT = Normally operate 24 hours daily
PT = Normally operate less than 24 hours
(#) = Number in parenthesis depicts number of hours facility is reduced temporarily

Airport Traffic Control Towers

Temporarily Closed (FT) = 0

None.

Temporarily Closed (PT) = 43

Tuscaloosa, AL
Flagstaff, AZ
Hot Springs, AR
Pine Bluff, AR
West Memphis, AR
Chico, CA
Fresno (Chandler), CA
Imperial, CA
Marysville, CA
Merced, CA
Miami (Dade-Collier), FL
St. Petersburg (Whitted), FL
Athens, GA
Brunswick, GA
Valdosta, GA
Danville, IL
Galesburg, IL
Marion, IL
Topeka (Billard), KS
Paducah, KY
Shreveport (Downtown), LA
Benton Harbor, MI
Greenville, MS
Jackson (Hawkins), MS
Cape Girardeau, MO
Hobbs, NM
Sante Fe, NM
Hickory, NC
New Bern, NC
Akron (Municipal), OH
Cleveland (Cuyahoga), OH
Ardmore, OK
Enid, OK
Pendleton, OR
Myrtle Beach, SC
Spartanburg, SC
Knoxville (Downtown), TN
Laredo, TX
Plainview, TX
San Antonio (Stinson), TX
Lewisburg, WV
Mayaguez, PR
Ponce, PR

Temporarily Reduced Hours (FT) = 92

Mobile, AL (6)
Montgomery, AL (8)
Fresno (Air Terminal), CA (6)
Monterey, CA (7)
Oakland (North), CA (3)
San Jose (Municipal), CA (6 1/2)
Santa Ana (Coast TRACON), CA (6)
Van Nuys, CA (7 1/2)
Hartford, CT (9)
Wilmington, DE (8)
Daytona Beach, FL (TRACON only) (6)
Pensacola, FL (6)
Macon, GA (RAPCON only) (7)
Savannah, GA (6)
Hilo, HI (8)
Boise, ID (6)
Champaign, IL (8)
Chicago (Midway), IL
(6-Sat & Sun only)
Moline, IL (7)
Peoria, IL (7)
Rockford, IL (7)
Springfield, IL (8)
Evansville, IN (8)
Fort Wayne, IN (6)
South Bend, IN (6)
Terre Haute, IN (8)
Lexington, KY (6 1/2)
Baton Rouge, LA (7)
Lafayette, LA (8)
New Orleans (Lakefront), LA (8)
Shreveport, LA (RAPCON Only) (7)
Falmouth (Otis AFB), MA
(RAPCON only) (8)
Detroit (City), MI (9)
Flint, MI (7 1/2)
Grand Rapids, MI (6)
Kalamazoo, MI (9)
Lansing, MI (7 1/2)
Muskegon, MI (7)
Saginaw, MI (7 1/2)
Duluth, MN (8)
Rochester, MN (8)
Jackson (Thompson), MS (7)
Kansas City (Municipal), MO (7)
Billings, MT (7)
Great Falls, MT (9)
Helena, MT (10)
Lincoln, NE (8)
Omaha (Eppley), NE (7)
Teterboro, NJ (5-Sat & Sun only)
Trenton, NJ (8)
Albany, NY (TRACON only) (7)
Buffalo, NY (TRACON only) (6)
Elmira, NY (8 1/2)
Islip, NY (7)
Niagra Falls, NY (7)
Rochester, NY (TRACON only) (6)
Syracuse, NY (TRACON only) (6)
Utica, NY (6)
White Plains, NY (8)
Asheville, NC (8)
Fayetteville, NC (6)
Wilmington, NC (6)
Akron Canton, OH (6)
Mansfield, OH (7)
Toledo, OH (TRACON only) (6)
Youngstown, OH (6)
Medford, OR (8)
Allentown, PA (TRACON only)
(7 1/2)
Erie, PA (7)
Harrisburg (Capital City) PA
(ATCT only) (6)
Philadelphia (North), PA (7)
Pittsburgh (Allegheny), PA (8)
Reading, PA (7)
Wilkes Barre, PA (7 1/2)
Quonset Point TRACON, RI (6)
Greer, SC (7)
Sioux Falls, SD (7)
Bristol, TN (7 1/2)
Chattanooga, TN (7)
Abilene, TX (8)
Amarillo, TX (8)
Corpus Christi, TX (6)
El Paso, TX (5)
Midland, TX (6)
Charlottesville, VA (6)
Roanoke, VA (7 1/2)
Seattle (Boeing), WA (5)
Huntington, WV (7)
Wheeling, WV (9)
Green Bay, WI (6)
Madison, WI (7)
Pago Pago, AS (8)

Temporarily Reduced Hours (PT) = 25

Anchorage (Merrill), AK (1)
Goodyear, AZ (3)
Scottsdale, AZ (1)
Fort Smith, AR (2)
Texarkana, AR (2)
Carlsbad, CA (2)
Chino, CA (1)
Edwards RAPCON, CA (4)
El Monte, CA (3)
Fullerton, CA (4)
Hawthorne, CA (3)
Hayward, CA (4)
La Verne, CA (4)
Lake Tahoe, CA (3)
Lancaster, CA (6)
Livermore, CA (3)
Napa, CA (2)
Palmdale, CA (6)
Palo Alto, CA (5)
Riverside, CA (2)
Sacramento (Exec), CA (2)
Salinas, CA (5)
San Carlos, CA (3)
San Diego (Brown), CA (4)
San Diego (Gillespie), CA (1)
San Diego (Montgomery), CA (1)
San Jose (Reid-Hillview), CA (2)
Santa Barbara, CA (1 1/2)
Santa Maria, CA (4 1/2)
Santa Monica, CA (3)
Santa Rosa, CA (3)
Stockton, CA (3)
Torrance, CA (3)
Pueblo, CO (1)
Danbury, CT (8)
Groton, CT (6)
New Haven, CT (2)
Fort Meyers, FL (2)
Fort Lauderdale (Exec), FL (1)
Hollywood, FL (4)
Jacksonville (Craig), FL (3)
Melbourne, FL (1)
Miami (Tamiami), FL (3)
Panama City, FL (1)
Tallahassee, FL (ATCT only) (1/2)
Vero Beach, FL (3)
Albany, GA (4-Sat & Sun only)
Atlanta (Peachtree), GA (1)
Kona, HI (2)
Lihue, HI (5)
Molokai, HI (2)
Idaho Falls, ID (3 1/2)
Lewiston, ID (4)
Pocatello, ID (1)
Twin Falls, ID (2)
Alton, IL (1)
Aurora, IL (2)
Bloomington, IN (6)
Muncie, IN (8)
W. Lafayette, IN (4)
Cedar Rapids, IA (1)
Sioux City, IA (1)
Kansas City (Fairfax), KS (3)
Olathe, KS (6)
Salina, KS (6)
Louisville (Bowman), KY (2)
Beverly, MA (8)
Hyannis, MA (1)
Lawrence, MA (2)
Nantucket, MA (2)
New Bedford, MA (8)
Worcester, MA (8)
Ann Arbor, MI (4)
Battle Creek, MI (2 1/2)
Jackson, MI (1)
Pontiac, MI (2)
Traverse City, MI (1)
Minneapolis (Crystal), MN (1)
Minneapolis (Flying Cloud), MN (2)
St. Paul, MN (1)
Chesterfield, MO (4-Sat & Sun only)
Joplin, MO (6)
St. Joseph, MO (5)
Grand Island, NE (8)
North Las Vegas, NV (7)
Lebanon, NH (6)
Caldwell, NJ (4)
Morristown, NJ (6)
Kinston, NC (2)
Grand Forks, ND (2)
Cleveland (Lakefront), OH (3)
Burns Flat, OK (1)
Tulsa (Riverside), OK (2)
Eugene, OR (2)
Salem, OR (4)
Troutdale, OR (7)
Williamsport, PA (1)
Florence, SC (6)
Greenville, SC (1)
Brownsville, TX (2)
Dallas (Redbird), TX (1)
Harlingen, TX (2 1/2)
McAllen, TX (1/2)
Tyler, TX (1)
Ogden, UT (2)
Newport News, VA (1)
Everett, WA (3)
Olympia, WA (4)
Pasco, WA (1)
Renton, WA (3)
Spokane (Felts), WA (6)
Walla Walla, WA (2)

Bloomington, IL (1)
Carbondale, IL (2)
Chicago (DuPage), IL (3)
Chicago (Meigs), IL (2)
Chicago (Palwaukee), IL (4)
Decatur, IL (2)
East St. Louis, IL (4)
Appleton, WI (3)
Janesville, WI (3)
La Crosse, WI (1)
Casper, WY (6)
San Juan (Isla Grande), PR (6)
St. Thomas, Virgin Islands (2)

Flight Service Stations

Temporarily Closed (FT) = 0

None.

Temporarily Closed (PT) = 3

Montague, CA
Cotulla, TX
Lone Rock, WI

Temporarily Reduced Hours (FT) = 43

Douglas, AZ (9)
Yuma, AZ (9)
El Dorado, AR (12)
Harrison, AR (8)
Blythe, CA (14)
Daggett, CA (8)
Imperial, CA (8)
Marysville, CA (8)
Thermal, CA (9)
Ukiah, CA (8 1/2)
Akron, CO (8)
La Junta, CO (8)
Key West, FL (8)
Ottumwa, IA (8)
Burlington, IA (8)
Chanute, KS (8)
Dodge City, KS (9)
Goodland, KS (8)
Salina, KS (6)
Houghton, MI (6)
Vichy, MO (8)
Cut Bank, MT (8)
Chadron, NE (14) (12)
Lovelock, NV (16)
Tonopah, NV (9 1/2)
Carlsbad, NM (12)
Deming, NM (12)
Tucumcari, NM (8)
Dickinson, ND (8)
Jamestown, ND (8)
Gage, OK (10)
Hobart, OK (12)
Ponca City, OK (8)
Baker, OR (8)
Watertown, SD (8)
Alice, TX (8)
Childress, TX (12)
Dalhart, TX (18)
Palacios, TX (12)
Wichita Falls, TX (8)
Wink, TX (16)
Morgantown, WV (8)
Rock Springs, WY (7)

Temporarily Reduced Hours (PT) = 8

Crescent City, CA (6)
Emporia, KS (3)
Hill City, KS (4)
Sidney, NE (8)
Ely, NV (7)
Truth or Consequences, NM (4)
Mineral Wells, TX (8)
Ephrata, WA (8)

The FSS's that are emergency closed for a day or two or operate at reduced hours for one day due to sick leave or emergency leave are not listed. All changes to the hours of operation of FSS's are provided, as required, to the House and Senate Subcommittees on Transportation as each action occurs or is proposed.

AIRPORT TRAFFIC CONTROL TOWERS
AND FLIGHT SERVICE STATIONS

Senator Andrews: What actions have been taken to return these facilities to prestrike capability?

Response: As we progress in our rebuilding efforts, and as staffing becomes available and new personnel complete their comprehensive training programs, we are resuming normal hours of operation at control towers whose hours have been reduced. Many of the facilities which normally operate 24 hours daily and are now operating at reduced hours, are candidates for permanent reduction. However, no reduction will become permanent until each location is thoroughly reevaluated and all data reviewed.

We have also reopened those temporarily closed control towers meeting retention criteria. The remaining temporarily closed control towers have been identified as potential decommissioning candidates and will remain closed until each is thoroughly reevaluated and a recommendation is made.

We have not closed or reduced the operating hours of any flight service station as a direct result of the strike. We have had, however, to take emergency actions which include the temporary reductions in operating hours or closures of a few flight service stations due to staffing shortages and the need to realign the workforce for optimum efficiency and effectiveness.

Senator Andrews: What considerations for the problems of the affected users are being made to ensure adequate and safe service to the users of these facilities?

Response: Every effort has and will continue to be made to ensure that services and components essential to the National Airspace System and for continued airport operations are maintained. These include the provision of weather observations as necessary, remoting of navigational aid monitors, continued approach and departure control services for the airports, provision of adequate radio coverage for the airports, telephone and/or radio capability to the flight service station serving the airport for weather and pilot briefings and flight plan filing, etc. These actions provide for continued operations and ensure adequate, efficient, and safe service for the users of affected facilities.

Senator Andrews: There are a large number of discrete projects which must eventually work together to make up the future air traffic control system. Do you see a need for a single, centralized management function to insure that performance testing, necessary fixes, acquisition, deployment and system integration takes place in a complementary fashion?

Response: One of the main reasons for my recent reorganization of the engineering functions of the FAA under the newly formed Office of the Associate Administrator for Development and Logistics was to make sure that objectives of the NAS plan are met. The office presently has cognizance over the NAS plan in terms of its timely accomplishment within the budgets requested and approved by the Congress.

AUTOMATED FSS'S

Senator Andrews: What factors do you consider in selecting sites for automated FSS's?

Response: In evaluating proposals received in response to lease building solicitations, the FAA considers the following factors prior to site selection for automated FSS's.

1. An analysis of the twenty year life cycle costs per OMB Circular A-104. This includes but is not limited to costs for the lease, utilities, lease lines and personnel relocations.

2. An assessment of the building space proposed including size, layout, safety features and quality of construction.

3. The risk of eviction prior to the twenty year term.

4. The capacity of the local telephone exchange.

5. The character of the airport at which the facility is proposed for siting and the quality of life in the nearby communities.

6. The extent and the number of employee relocations.

7. The location's compatibility with other FAA General Aviation programs.

NAS PLAN

Senator Andrews: The National Airspace System Plan (NAS Plan) projects out to the beginning of the next century. What organizational principles, management tools, or procedural mechanisms will provide the continuity needed to insure efficient, timely, and economical accomplishment of all the elements of that plan?

Response: We have a management process through which the Deputy Secretary and I maintain cognizance over the major programs in the NAS plan. The process basically follows guidelines of OMB Circular 109 with some variations for programs not meeting A-109 thresholds. These processes are documented in the FAA and OST directives systems. All major programs are reviewed on a regular basis, either 3 months or 6 months, attended by me, the Depupty Secretary, the Associate Administrator for Development and Logistics and our senior managers.

Senator Andrews: While acquiring and deploying the new system, the FAA must operate the old system and conduct an orderly transition from old to new. What parts of these actions can be disaggregated and managed independently or in a decentralized fashion?

Response: We do not intend to disaggregate, or manage independently any parts of the new system. In fact we have moved toward centralized management so we can better integrate system elements into the NAS.

Senator Andrews: Would you explain the kind of management judgements that come to bear in determining what kinds of projects can be managed in a decentralized fashion versus those kind of projects that should be brought together to a central focal point for analyses, problem-solving and control?

Response: As stated in the reply to the previous question, we do not plan to manage in a decentralized fashion. I feel that an orderly transition to the new system can be better accomplished by a centralized management concept.

ADVANCED PROGRAM OFFICE

Senator Andrews: Last year you created an Advanced Program Office which we understood was to have cognizance over the new host computer, the sector suite and the advanced software development, and this office was to report directly to you. In a recent reorganization, we understand this office has been downgraded and placed under the Associate Administrator for Development and Logistics. Please explain your thinking when you created the Advanced Automation Office last year and what has happened in the meantime to persuade you to change your organizational structure?

Response: When we first established the Program Office it was simpler from an organizational standpoint to have it report to the then Associate Administrator for Engineering and Development. I then had the Program Office report directly to me to establish a mode of operation that I believed would ensure the success of the Program. Having established the mode of operation I desired the reporting point for the Program Office was recently reassigned to the Associate Administrator for Development and Logistics. The responsibilities of the Program Office are fully compatible with those of the Development and Logistics Organization.

Senator Andrews: Many informed observers have gone through the NAS Plan and have concluded that the FAA should create a central management function in order to accomplish the objectives of the NAS Plan within budget and within the time parameters established.. Are you going to create a central management function that will have cognizance over all of the programs in the NAS plan?

Response: The newly formed Office of Associate Administrator for Development and Logistics has that function now.

MANAGEMENT CONTROL SYSTEM

Senator Andrews: A mainstay of System Management is a complete management control system. Describe the FAA Management Control System that you will apply to the NAS plan projects. Is there an FAA order, instruction, or manual that describes the system? Is the management control system applied to all FAA acquisitions and development programs? What determines which will be included in the MCS versus those excluded?

Response: We have in being a management process through which both the Deputy Secretary and I maintain management cognizance over the major programs in the NAS Plan. The process basically follows the guidelines of OMB Circular A-109 with some variations for programs not meeting A-109 thresholds. These processes are documented in the FAA and OST directives systems. The management control system covers all major elements of the development and acquisition programs. The overall cost of a program is the major factor in determining its inclusion or exclusion in the management process. Other factors considered include risk, visibility and system impact.

Senator Andrews: Do you have a Management Center or Control Room or do you make use of a computerized management system wherein the status of projects is readily available. If you do, would you describe what information is available there?

Response: No I do not have a management center or control room. My reviews of the major programs are conducted at least quarterly, are indepth, usually 4 hours per program. I do not feel the development of a control center or a specialized management system is needed at this moment. Our system contractor will provide an overall automated management system so I prefer to bypass a costly interim arrangement.

Senator Andrews: How often is the status of development and acquisition projects updated?

Response: The status of development and acquisition programs are updated monthly in the existing management information system. Significant changes to major programs are handled in real time by alert bulletins issued by the Program manager.

PROJECT STATUS REVIEWS

Senator Andrews: Is there a periodic meeting between the various project managers and senior FAA management to report on project status? Do project managers report on contractor performance as well as hardware performance? Are comparisons made between schedules and budget parameters? Is there a discussion of interdependencies between projects? Has the FAA developed a PERT chart or manual (program evaluation and review technique), or a critical path management tool, or other kinds of comprehensive management tools to be applied to the NAS plan?

Response: Yes, all major programs are reviewed on a regular basis, on either a 3 or 6 month interval by me, the Deputy Secretary, the Associate Administrator for Development and Logistics, and our senior managers. All facets of each major program are covered in our reviews including costs, schedules, contractor performance, resource requirements, etc. The interfaces or interdependencies between programs are discussed and reviewed as a normal element of my program reviews. No, the FAA has not developed a PERT chart or manual, as I previously mentioned, I plan to have the system contractor provide the necessary overall computerized management system. We do have ongoing systems with FAA which are being utilized to maintain the necessary tracking of the major programs.

SYSTEMS ENGINEERING AND INTEGRATION

Senator Andrews: You have indicated that you would like to have an outside contractor perform the Systems Engineering and Integration Function. What will be the management responsibility of this contractor? What responsibilities will remain in-house to the FAA, and how was this division of responsibilities arrived at? Who or what office within FAA will have management responsibility over the Systems Engineering and Integration Contractor? What kind of management tools will be used?

Response: The Systems Engineering and Integration (SEI) Contractor will have "mission" responsibility for the implementation of the National Airspace System (NAS) Plan. To fulfill this mission, the SEI Contractor will be permitted to give technical direction to program element contractors within the scope of their contracts to insure that they meet requirements. The SEI Contractor is responsible for identification of technical, schedule, and cost problems, assessment of potential system impact of program problems, and recommendations for corrective action. Any changes in requirements or scope of work for program element contracts will be provided to the specific program manager for presentation to a FAA Configuration Control Board, chaired by the NAS Program Director, for review and approval.

The FAA will continue with the development of program elements for which procurements are already initiated. In parallel, the SEI Contractor will assume the responsibility for the design of the total system and the preparation of corresponding functional specifications for new program elements. These will provide the basis for new procurements for program elements not yet under contract. The system design will also provide the basis for technical direction of existing and future NAS contracts.

The phase-in of the SEI Contractor will occur in two steps. In the initial phase-in period following contract award, the SEI Contractor will analyze the basic requirements, system design, and NAS planning data initially developed by the FAA's Systems Engineering Service (AES) and will then prepare the total system design and the master plan for NAS Plan implementation. The SEI Contractor will also provide technical personnel in numbers and disciplines to supplant most of the existing engineering support contractors so that a full range of technical capability is available to insure program success. In the second phase, the SEI contractor will perform the functions and provide the resources necessary to carry out the Master Plan, including technical direction to the development and implementation program contractors.

The Deputy Associate Administrator for Development and Logistics is designated as NAS Program Director and is responsible for implementing the NAS Plan and will have management responsibility over the SEI Contractor.

Under this organizational framework, AES has the responsibility for collecting and analyzing operational requirements for changes or additions to the system. The outputs of this work are validated system requirements which are provided to the NAS Program Director to be incorporated into the NAS Plan. AES provides the in-depth, government expertise which reviews, evaluates, provides information, and monitors the SEI Contractor in performance of the overall system design and the planning for transition and integration of NAS Plan program elements into the operational Air Traffic Control (ATC) system. AES is also responsible within the FAA for configuration management of the operational NAS, in accordance with directives from the NAS Program Director who is the Chairman of the NAS Configuration Control Board.

The Program Engineering and Maintenance Service (APM) and the Advanced Automation Program Office (AAP) are responsible for the acquisition and execution of the individual program elements in the NAS Plan. The Directors, APM and AAP, report directly to the NAS Program Director on all matters relating to the NAS Plan implementation.

Management tools to evaluate and monitor SEI Contractor performance include a comprehensive management information control system, configuration management systems, cost/schedule control systems, contract reviews, and written reports documenting performance against a work breakdown structure approved by the FAA.

Senator Andrews: If the FAA needs a system integration contractor, didn't you really need it earlier in the game, like last year?

Response: No. The NAS Plan is only now mature enough to adequately use a system contractor to integrate and implement the NAS Plan and provide the system engineering necessary to maintain and/or modify the NAS Design.

ADVISORY COMMITTEE

Senator Andrews: In recent testimony before the Congress you referred to an Advisory Council of experts to assist you in overseeing the implementation of the NAS Plan. What will be the relationship of this body to the systems engineering and integration contractor? Who will chair this group of advisors? Where will the Advisory Council recommendations be handled within FAA?

Response: The Federal Aviation Advisory Committee is not envisoned to be in the form of the usual advisory committee, but rather an assessment capability to ensure we are adhering to the National Airspace Plan. The Committee will help FAA with an overall oversight of how its programs were being carried out by the Systems Contractor. The members of the committee have not yet been selected. Also, while we plan that this group's recommendations be handled at the highest FAA management level, I indend that it be responsive to me.

Senator Andrews: Even with system contractors, wouldn't FAA personnel be needed to be involved directly in approval of specifications, issuance of contracts, and the managing of programs? Wouldn't a revision in allocation of FAA manpower to provide a modest increase in the number of qualified personnel working on specifications and contracts result in acceleration of ATC system modernization and provide for better management of major programs?

Response: Yes, FAA personnel will still be involved in managing the programs, preparation of specifications and issuance of contracts. The recent reorganization of our engineering staff produced the technical staffing required to implement the NAS Plan. The basic planning for the upgrading and modernization of the ATC was based upon in-house staffing and various contractural engineering support for specific tasks.

Basically, the system engineering and integration contractor will incorporate essentially most of the contractural engineering support efforts and eventually some of the tasks being performed by our in-house personnel. Therefore, we are confident that the FAA staffing levels in the request are adequate.

Senator Andrews: In the event some of the elements of the NAS Plan, particularly the computer replacement, are seriously impacted by budget or other program anomalies, what provisions are being considered for alternative improvements to the existing systems to accommodate added capacity needs or function expansion?

Response: The computer replacement program will be accomplished in two stages, the Host program, followed by the newly designed Advanced Automation System. FAA is well along the way to awarding two contracts for a Host design competition (July 1983). Based on our analysis of the risk of the Host program and review of the Host proposals from industry we have the utmost confidence that no alternative to the Host program will be required for technical reasons.

Any alternative to the Host design and development would involve significant hardware or software development and therefore, any alternative to Host would have the same susceptibility to budget anomalies as the Host program. For that reason, no alternatives to the Host program are being pursued to accommodate capacity needs or near-term functional expansion.

If there are budget or other program anomalies that seriously impact the development of the Advanced Automation System, FAA would be forced to depend for a longer period on the Host with 9020 software. The Host is sized to handle the traffic projected for 1995 and, if necessary could be upgraded to a larger processor of the same family.

Delays in the development of the Advanced Automation System would limit function expansion to those few that can be accommodated by the 9020 software and would delay the full benefits of consolidation into 23 Area Control Facilities.

HOST COMPUTER

Senator Andrews: Last year before the Senate Aviation Subcommittee, you stated there was about an 80 percent chance you could tighten the Host computer replacement schedule. Since this has not happened and the program has in fact slipped, have you identified any program options which you may pursue which could lead to an improvement in the computer replacement schedule?

Response: While we continue to closely monitor the schedule for the Host Computer System, we are confident that the current schedule is more than adequate to meet our ATC system automation capacity needs. We are scheduled to award the Acquisition Phase contract in April 1985. We have high confidence that this schedule will be met. We continue to monitor the current NAS/9020 automation system and remain confident that our current Host Computer System schedule will result in a timely replacement of the old computer.

ADVANCED AUTOMATION TESTBED (AERA)

Senator Andrews: You have identified Automated En Route Air Traffic Control (AERA), particularly Package 1, in your previous testimonies last year and at the Glickman Hearing this year. Are you considering any kind of field test operation or mechanism for gathering controller input for the purpose of refining the laboratory concept?

Response: Yes, the present plan is to evaluate the functional capabilities of AERA-I using ATC simulation facilities at the FAA Technical Center in Atlantic City, New Jersey. Inputs from air traffic controllers will be obtained during this evaluation.

AIR TRAFFIC STAFFING

Senator Andrews: Your Air Traffic personnel estimates for FY 1984 are at the same level as that authorized in FY 1983, while your anticipated workload goes up. Does this mean you will not be reactivating closed facilities or those with reduced hours?

Response: We are not requesting any new positions in fiscal year 1984 principally because experience levels of the work force will have increased significantly by then, allowing for an uninterrupted integrating of the additional forecasted aircraft activity.

Following the strike, as many as 80 terminal facilities were closed and 227 operated at reduced hours of operation. As of March 1, all 36 towers meeting retention criteria have been reopened. Most facilities operating part-time are candidates for permanent reduction, however, no reduction will become permanent until each location is thoroughly re-evaluated and all data reviewed. There is a sufficient number of positions in our program to provide for necessary staffing should additional towers be opened or hours of operation extended.

CONTRACT MAINTENANCE

Senator Andrews: There has been some talk that you intend to contract out electronic maintenance. Has any study been conducted that indicates contract maintenance would be cheaper and more effective than continuing the work in-house? If so, please provide the Committee with a copy.

Response: FAA has completed A-76 studies on environmental services at certain locations (which include maintenance of air conditioning and heating systems). Currently, studies are underway on the maintenance of selected auxiliary power systems and are scheduled for completion in the near future. Copies can be made available upon completion.

REGULATION-BY-OBJECTIVE

Senator Andrews: Please take a moment or two and tell us about your "Regulation-by-Objective" plans. Are you certain that aviation safety would not be impacted by the change? What is industry's position on RBO? What is the NTSB's position?

Response: Regulation by Objective (RBO) is a new regulatory concept being introduced by the Federal Aviation Administration (FAA). The primary thrust of RBO is to change the present regulation climate by providing regulatory flexibility without sacrificing safety standards. Present aviation safety regulations set complex and specific methods intended for general applicability throughout the industry and tend to inhibit innovation by the industry.

The FAA, in Notice of Proposed Rulemaking (NPRM) No. 82-13, Part 120 - Air Transportation Regulation, is proposing to replace the traditional "how to" regulations with the safety objectives they are intended to achieve. The "how to" provisions will be continued as specific methods of compliance for each operator. The safety objectives and the specific methods of compliance will form an operator's operating document - individual regulation. Operators will be allowed the flexibility of either continuing to operate with the present methods of compliance, "no change," or they can assess their operations and develop more effective and efficient methods of compliance.

NPRM No. 82-13 was issued September 20, 1982, with the comment period scheduled to close June 20, 1983. Draft advisory material supporting Part 120 was published for review and comment on March 31, 1983.

Safety will definitely not be impacted,because all operator developed methods of compliance will be evaluated by the FAA to ensure the continued present high safety standards and will be subject to public review and comment.

The industry's position regarding RBO has been mixed to date; although it is fair to say that since the comment period has been extended to June 20, a final assessement of the industry position cannot be made at this time. Concern has been expressed by some unions that the proposed Part 120 may infringe on management/union

relationships. We do not believe this to be the case, since all operator developed methods of compliance will be evaluated by the FAA against the standards established by the existing rules.

The NTSB has received detailed briefings on RBO. The Chairman has expressed some personal concerns, however, we have not received a formal reply to the docket regarding the NTSB's official position.

ST. THOMAS AIRPORT

Senator Andrews: In a letter to the editor of the New York Times on March 11 of this year, a point was raised about Cuba's ability to construct a large international airport on the Marxist - controlled island of Grenada in only three years, while it has taken the FAA five years and more than $40 million to make minimal progress at the dangerous St. Thomas Airport. What is the reason for this?

Response: We have always kept abreast of development at St. Thomas. At no time during development have we allowed operations that could be classified as dangerous nor will we allow such operations at the airport.

The $44 million granted to date for the new runway represents a significant investment of funds under a grant program where eligibility extends to approximately 3,500 non-military airports in the national system. This high funding level for St. Thomas to date is indicative of our commitment and is far in excess of funding approved over the past several years at many far busier national airports that also require expensive improvements. We will continue working with the St. Thomas officials to identify items eligible under the grant program and intend to assist as national priorities and funding permit.

EMPLOYEE FURLOUGHS

Senator Andrews: In FY 1982 thousands of your employees received "furlough" letters, i.e., they were advised that they most probably would be furloughed without pay for periods ranging up to 15 days. The reason stated was that the FAA did not have sufficient funds to meet the payroll. This action caused considerable emotional stress, and disenchantment among employees, as evidenced by the many letters received by Congress. We understand that FY 1982 ended without any employees being furloughed, and in fact, millions in unprogrammed costs were being absorbed (e.g., a $15.0 million loan guarantee) and still all funds available were not obligated. Are there any plans in the wind for FY 1983 or FY 1984 to furlough employees?

Why is it necessary to "excite" thousands of employees unnecessarily? Please provide the committee with a recap of appropriations (including supplementals) vs actual obligations for FY 1982. Identify all funds carried over to FY 1983 and all unprogrammed obligations by amount and item, and items advance-funded.

Response: Our FY 1983 Appropriations are sufficient to cover our planned employment throughout FY 1983 unless our requests for pay cost and loan default supplementals are not approved, or unless additional loan defaults (for which supplementals are not approved) occur in the future. The FY 1984 budget request contains personnel costs and benefit levels to accommodate the requested number of positions and FTEs.

Although in FY 1982 we planned for a furlough of personnel in three appropriations (RE&D, FE&D, Operations), my response deals with the Operations Appropriation only since the question refers to events in the Operations Appropriation.

The FY 1982 appropriation of $2,095,000,000 plus $3,400,000 transfer from SST account was augmented by a supplemental request of $213,939,000. The Congress approved a supplemental amount of $196,939,000. The uncertainty surrounding passage of the supplemental request as well as the lateness of the action itself (9/10/82), coupled with the development of an unprecedented Air Traffic strike recovery plan, required the FAA to operate for most of the year under fiscal stress. In December 1981, a number of measures were adopted pending action on the supplemental (e.g., hiring restricted except strike recovery and certification, travel constrained, contractual studies deferred, etc.). These actions were taken to minimize the number of furlough days.

Following the refinement of the strike recovery plan and Congresional action on the supplemental appropriation which included $20 million to avoid the furlough, the furlough was cancelled; nevertheless, even with the restrictions removed it was not possible to obligate all of the supplemental funds within the last three weeks of September 1982.

Estimates for AT overtime exceeded the actual amount by $7 million. In addition, the projected trainee wash-out rate was higher than expected and resulted in savings in the AT program of approximately $9 million. When the agency was presented with a bill of $16 million for aircraft loan defaults due in FY 1982, we applied the AT savings to cover the payment.

A portion of the appropriation was composed of $57.5 million AT Revitalization multi-year funds instead of the traditional one-year Operations money. Additionally, $10.0 million was transferred to the Operations appropriation from the Construction, Metropolitan Washington Airports appropriation and $9.9 million for security reimbursements were enacted in a supplemental appropriation. These funds are available until expended. The multi-year and no year funds were carried over into FY 1983. The remaining $119,494 thousand was one-year money and was obligated in 1982 except for an amount of $618 thousand which lapsed. (See following exhibit)

FY 1982 Operations Appropriation
($ in thousands)

FY 1982	Appropriation		$2,095,000
	SST transfer		3,400
			$2,098,400
Supplemental Request			213,939
	(Pay Costs)		(83,794)
	(Telecommunications)		(25,200)
	(Strike Recovery)		(95,000)
	(Security)		(9,945)
Congressional Action on Supplemental			-17,000
	(Pay Costs	$83,794)	
	(Telecommunications	25,200)	
	(Military Reimbursement	10,000)	
	(Strike Recovery	48,000)	
	(Avoid furlough	20,000)	
	(Security	9,945)	
		$196,939	
($213,939 - 196,939 = 17,000)			
No year/multi-year funds carried over			-57,500
			-10,000
			-9,945
			$2,217,894
	Lapsed funds		-618
	Actual FY 1982 obligations		$2,217,276

AREA CONTROL FACILITIES

Senator Andrews: We understand that your latest approach to air traffic control is to consolidate all the present TRACONS and en route centers into 23 Area Control Facilities (ACF). This is a change from the original NAS Plan. Please tell us more about Area Control Facilities, how much they will cost, and when funding will be anticipated? Also, is the money required in 1984, and if so, is it contained in this budget? What personnel considerations are there for a major consolidation of this type?

Response: The plan now envisions, during the 1990's an evolution from today's mix of terminal and en route radar control facilities into 23 ACF's. Airport traffic control towers will continue to exist, but the terminal radar control function now performed in TRACON's will be transferred to ACF's. EAch ACF will be configured based primarily on traffic through large geographic areas. The distinction between "en route" and "terminal" control will be eliminated, and the function of radar control will be performed by the ACF. Airport traffic control towers will exist at those qualifying airports to assume control from the ACF to provide the final landing sequence. Equipment at each ACF will be identical in type, i.e., sector suite, computers, communications, etc., in contrast to the present system where the 9020 computer is used for en route control and ARTS for terminal control. This revised concept alters our center and terminal consolidation plans which was described last year.

There will be 21 ACF's in the continental U.S., one in Alaska and one in Hawaii. All center buildings are being evaluated for ACF's. We have not requested funding in FY 1984 for the ACF program. We expect to commence the multi-year funding for the area control facility program beginning in FY 1985. The FAA is currently reviewing the space requirements for these facilities in order to determine the amount of building expansion and new construction required. We expect this program will cost, between $200 to $300 million depending on the magnitude and scope of construction required.

The ACF concept will allow us to take advantage of resectoring, make it easier on our employees and do a transition side by side. For a given center we will set aside a section of the control room, install part of the new equipment, bring that on line, test and evaluate, keep the employees working and do it in a transitory fashion. This will have far less impact on our employees as opposed to the previous plan and allow maximum productivity by grouping ATC facilities together. We estimate that approximately 3,200 personnel will be impacted. However, we do not anticipate the actual personnel moves will ever reach this number because of attrition. In any case the number of personnel relocated or displaced will be kept to the minimum required to adequately staff the ACF facility. These are the driving reasons for this consolidation scheme.

AIRPORT NOISE

Senator Andrews: Secretary Dole was quoted in the press saying the federal government has no business interfering with local and state rules to control airport noise. This policy conflicts with statements you have made, Mr. Helms. At one point last year you expressed an intent to draft legislation that would require Federal Aviation Administration (FAA) review and approval of local aviation noise rules. How have you reconciled your position with the long-standing departmental policy on limiting airport noise?

Response: Senator Andrews, during the period from 1982 to 1994, we forecast an average annual growth in aircraft operations in this country of 5.8%, and commensurate rates of growth in all categories of aviation use. The programs which we have initiated will provide the air traffic control and airspace needed to manage for that growth. At the same time, however, we foresee increasing constraints on the capacities of our major airports across the country. In many cases those constraints are caused by environmental issues, mostly noise. Local authorities are reluctant to expand or improve airport capacity because of local resistance, and, in many cases, are actually reducing current capacity for that reason. If the FAA is to continue to operate a safe and efficient system of air transportation for this country, we must control the noise problem around airports.

The FAA has taken agressive action to control aircraft noise. We have established noise standards for new designs and new production of most aircraft, consistent with considerations of what is technologically practicable and economically reasonable. We have imposed a phased noise compliance regulation which will remove the noisier, first-generation airplanes from our airports. Consistent with the highest degree of safety, we route air traffic and control operating procedures to minimize noise impacts over populated areas.

Each of these actions has been effective in reducing airport noise problems. But, they will not eliminate those problems. Local authorities, including the airport operators themselves, must resolve the residual noise problems around the individual airports. In seeking to resolve their local problems, however, we must be certain that local actions are not arbitrary, unjustly discriminatory and do not unduly burden the national system of air transportation. That is my primary concern, Senator Andrews. We are not interested in imposing federal judgments on local communities; we are interested in being sure that local decisions do not ignore, but give fair and reasonable consideration to, issues of national concern, and explore reasonable alternatives.

NATIONAL AIRPORT

Senator Andrews: Eastern Airlines is test flying the new twin-engine Boeing 757 aircraft at National. Does the Boeing 757 aircraft figure into the decision to reduce the cap to 15 million?

Response: The analysis of the passenger cap took into account fleet mixes with and without the Boeing 757. The only difference in the results was the year in which the proposed cap would be reached.

Senator Andrews: Your budget request (page 167) shows 12.9 and 13.3 million passengers respectively for FY 1983 and FY 1984 at National. What is the five year trend?

Response: Based on an upswing in activity at National during the past three months, we are now projecting 13.8 and 14.3 million passengers respectively for FY 1983 and FY 1984. The five year trend for National Airport is as follows:

Passengers in Millions

FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
13.9	15.0	14.7	14.3	13.4

Senator Andrews: Please estimate for the record the passenger usage at National, Dulles, and Baltimore-Washington International Airports through fiscal year 1987.

Response: The information on National and Dulles follows.

Fiscal Year	National	Dulles
1983	13,844,000	2,971,000
1984	14,295,000	3,329,000
1985	14,767,000	3,734,000
1986	15,254,000	4,189,000
1987	15,757,000	4,692,000

The actual passenger usage for Baltimore-Washington International in FY 1982 was 4,420,000. While Baltimore-Washington International is not under our operation, we would anticipate its growth rate would be comparable to Dulles.

GROWTH AT DULLES

Senator Andrews: What is your administration doing to encourage more flights at Dulles?

Response: The Metropolitan Washington Airports Policy, which took effect in December 1981, established the goal of a balanced air transportation system for the Washington Metropolitan Area. We are now reviewing the first year's experience to determine what, if any, adjustments are required to achieve the goals set forth in that policy.

During calendar year 1982, passenger traffic declined 6.0 percent at National Airport and increased 12.3 percent at Dulles. The policy is partially responsible for this desired trend and present indicators are that Dulles will continue to grow.

As directed in the policy, concerted efforts continue to improve the ground access to Dulles Airport. The Dulles Access Highway connection to I-66 is scheduled for completion in September 1983, thus providing a more direct route from the airport to downtown Washington.

The State of Virginia has made the decision to move forward with the construction of the toll roads paralleling the Dulles Access Highway which, when completed, will have the dual effect of reducing pressure for non-airport use of the existing access highway and concurrently ensuring continued rapid development of the area surrounding Dulles.

Airline landing fees and mobile lounge fees were waived for calendar years 1981 and 1982 to encourage greater use of Dulles. Although the landing fees have been reinstated, a partial waiver of mobile lounge fees continues. The air carriers serving Dulles have responded favorably to these financial incentives. Four new airlines initiated service at Dulles during calendar year 1982--Western Airlines, Waring Aviation, People Express, and Christman Air Systems. New service now links Dulles to eight more airports.

The Dulles growth trend continues strong in 1983, with January up 23.8 percent and February up 11.7 percent over the comparable months last year. Growth of Dulles is expected to continue--18 percent in fiscal year 1983 and 12 percent in fiscal year 1984.

Senator Andrews: The movement of automobiles to and from the terminal area at National Airport is disheartenly slow at either morning or evening rush hours. When is the FAA going to make a viable effort to reduce the congestion? Please comment on the results of any present studies or airport planning efforts to solve the problem.

Response: We have long recognized the physical limitations of National, including its roadway system, in providing a desirable level of service. We have, however, also recognized that it was not practical to undertake major programs to correct these deficiencies without first adopting a long-term policy which would establish the role which National would be expected to play in

meeting the Washington region's aviation needs. The adoption of such a policy was an early priority of this administration and was, in fact, adopted in late 1981.

Based on that now-established policy, we have moved ahead with the planning for physical improvements to the airport. That planning is scheduled to be concluded in August of 1984. It will identify facility needs within the context of the long-term policies for National's use, policies which call for tight control of National's future growth. We fully expect that it will identify means of improving National to provide far more acceptable service levels. We hope, over the next several years, to be discussing these needed improvements with the Committee.

PROPOSED NEW FLIGHT PATH FOR NATIONAL

Senator Andrews: On December 28, 1982, a Piedmont Airlines 737 jet was observed by eyewitnesses passing unusually close to an office building in Rosslyn during an approach in cloudy weather. National Transportation Safety Board investigators recommended a new route further from the building and relocate navigation and radar facilities to provide a safer approach. FAA officials responded by saying the approach has been in use for years with no trouble and that the locations of the navigation and radar facilities are well located. Recently there have been newspaper reports of a plan to in fact shift the approach path of aircraft landing from the Rosslyn area further north. What decision has the Federal Aviation Administration come to on this issue?

Response: Our position in this matter has not changed. We believe the present published procedure is proper.

We are currently reviewing NTSB comments and recommendations about this approach.

Senator Andrews: Can we expect more noise problems for the residents living on the north shore of the Potomac River when the approach path is changed?

Response: Yes. In evolving the approach and departure paths now used for Washington National Airport, and for all airports for that matter, we consider first the highest degree of safety, and second, the minimum noise impact on noise-sensitive areas around those airports. If the approach path along the Potomac River into National Airport is shifted to the north, the residents on the north side of the river will receive higher levels of aircraft noise.

NATIONAL AIRPORT WATER RESCUE PLAN

Senator Andrews: The local media have been highlighting a recently approved water rescue plan for aviation accidents near National Airport. Please explain what the plan contains that will help to prevent some of the shortcomings evident during the Air Florida rescue efforts?

Response: The water rescue plan is not new. Rather it is an adjustment of the previous plan. The District of Columbia will continue to have the primary responsibility for the Potomac and

Anacostia Rivers with our resources available to supplement theirs in the event of an emergency. The airport's enhanced capability, which includes the use of police officers along with firefighters, fits in with overall area planning efforts by the Metropolitan Washington Council of Governments and supported by mutual aid agreements.

Senator Andrews: There is an apparent labor dispute between the airport firemen and airport police because the police have been assigned water rescue duty over the objections of the firemen. Has this dispute been settled so as to prevent any confusion or lack of cooperation between the two groups in the event of an emergency?

Response: Our police officers have been effectively involved in the water rescue program for many months now with relatively little evidence of functional disagreement. In fact, boats are sometimes jointly crewed by police and firefighters. Our goal is to make the maximum use of the manpower available to us for rescue operations. There is no doubt in our mind that, in the event of a water incident, both the police officers and firefighters would respond fully and professionally. While there may continue to be an occasional disagreement of a technical nature, we are confident this will not result in a lack of cooperation between the two groups in the event of an emergency.

Senator Andrews: Is there sufficient qualified personnel to properly respond? Provide detailed explanation and analysis for the record.

Response: There are sufficient qualified personnel to properly man the airport's rescue vessels in the event of an emergency. There are approximately 30 fully trained personnel now, and up to 10 more will start the basic elements of the formal training program in a few weeks. Our plan is to have approximately 40 fully trained personnel to cover all eventualities and we are approaching that target.

CRIME AT NATIONAL AIRPORT

Senator Andrews: There has also been increased public attention to crime at National Airport. Describe this situation in detail and tell us what actions you are taking as a result. What is in the budget to address this problem?

Response: There have been some recent suggestions on the part of a Washington television station that crime at National could sharply increase if we do not provide a greater level of police staffing and if we do not establish a more competitive pay scale for these police. With respect to the pay scales, we have long believed that we should pay a more competitive rate and are continuing to work with the Office of Personnel Management on that issue. With respect to staffing levels, we have recently taken action to recruit additional police officers and will, quite possibly, be discussing with the Committee some increase in our authorized police staffing levels in future years.

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FAA EFFORTS TO GUARANTEE AIRCRAFT SEPARATION

Senator Andrews: The Wall Street Journal carried an article saying the FAA plans to use computers to record data surrounding operational error incidents - that is, when the distance between aircraft is reduced to less than required separation. The computers are to be used to log incidents and help analyze how and why they happened. The article goes on to say that many working controllers and aviation-safety analysts, including the National Aeronautics and Space Administration, which monitors air traffic near-miss reports, have said controllers often are too busy or unwilling to report all such incidents since the strike. How can you guarantee that the new computer system will be more diligent in reporting operational errors?

Response: The current air traffic control operational computer systems are not sophisticated enough to detect all types of operational errors. After the software modifications are fully developed and implemented, they will, however, detect and report the loss of required separation between Mode C equipped aircraft being radar tracked to both the controller and facility management. The occurrence will also be recorded by the computer and the system is, therefore, expected to be very accurate in reporting operational errors within the computer's capacity to detect.

Senator Andrews: How will this system be maintained and operated? Will there be any unnecessary workload added to an already strapped controller work force?

Response: The software used to help detect possible operational errors is part of the facility operational computer software and will require no additional maintenance. The new programs will not impose any additional workload on operational controllers.

IMMUNITY PROGRAM

Senator Andrews: Is there a need for immunity or protection of identity of persons involved in the incidents? How will the controllers respond to a completely open system?

Response: The prime purpose for improved detection and analysis of operational errors is to foster corrective action to preclude recurrences. Failure on the part of a controller to adhere to established procedures due to lack of knowledge or attention is often determined to be the cause of an operational error. Immunity would be detrimental to the intent of the program in these cases because it would preclude the initiation of corrective action to avoid recurrences. Controllers are wary of the new system and will probably remain so until the system is implemented and management demonstrates the stated purpose of system improvement.

COMPUTER PROJECTIONS

Senator Andrews: In your budget document (p. 247) you state that your capacity projection studies for the existing computer system indicate that several 9020A centers will start experienceing regular capacity problems. You say that five centers may be expected to approach their limit in the near future (mid 80's); three centers by the late 80's, and two in the early 1990's. In the year since you unveiled your massive modernization plan, there has been growing concern within FAA, as well as the Congress, as to whether FAA has the technical know-how to carry out the program successfully. A recent Presidential Science Advisory Board review, which you requested last year, recommended that FAA obtain outside technical aid for this massive program. We understand that FAA expects to select a contractor to serve as an overall systems integrater for this projected $10 billion program. Only recently you announced that there has been a slippage in several procurement programs including a delay in the new host computer program from September 1984 to April 1985. Does this slippage mean that other projects, which must come on line to accommodate and interface with the host computer, will also be delayed or will they become operational and wait for the host program to catch up? What effect does this slippage have on your mid 1980's computer capacity problems? How do you plan to get the program back on schedule? We are told that CBO says that any delay in the productivity and operational benefits of the program would reduce the expected return-on-investment below an acceptable level. Please provide a revised Host computer schedule with milestones indicating how it differs from your congressional response of January 1982 and explain any differences. Also, provide a program schedule and milestones showing the effect on other intertwined programs and explain the differences.

Response:

(a) A Host production award date of April 1985 in no way means that other projects will be delayed. It is possible that some of the near term automation enhancements to the en route software (e.g. VFR conflict alert, conflict resolution advisories, or metering enhancements) may not be implemented until the added capacity of the Host computer becomes available.

(b) The current Host schedule will make added en route computers capacity available before the predicted onset of 9020 computer saturation.

(c) We are comfortable with the current Host schedule and do not intend to accelerate it.

(d) The January 1982 FAA Response to Congressional Recommendations Regarding the FAA's En Route Air Traffic Control Computer System presented two alternatives to rehosting of 9020 software (options 4a and 4b). Figure 1 shows the schedules for these two options as well as the current Host schedule.

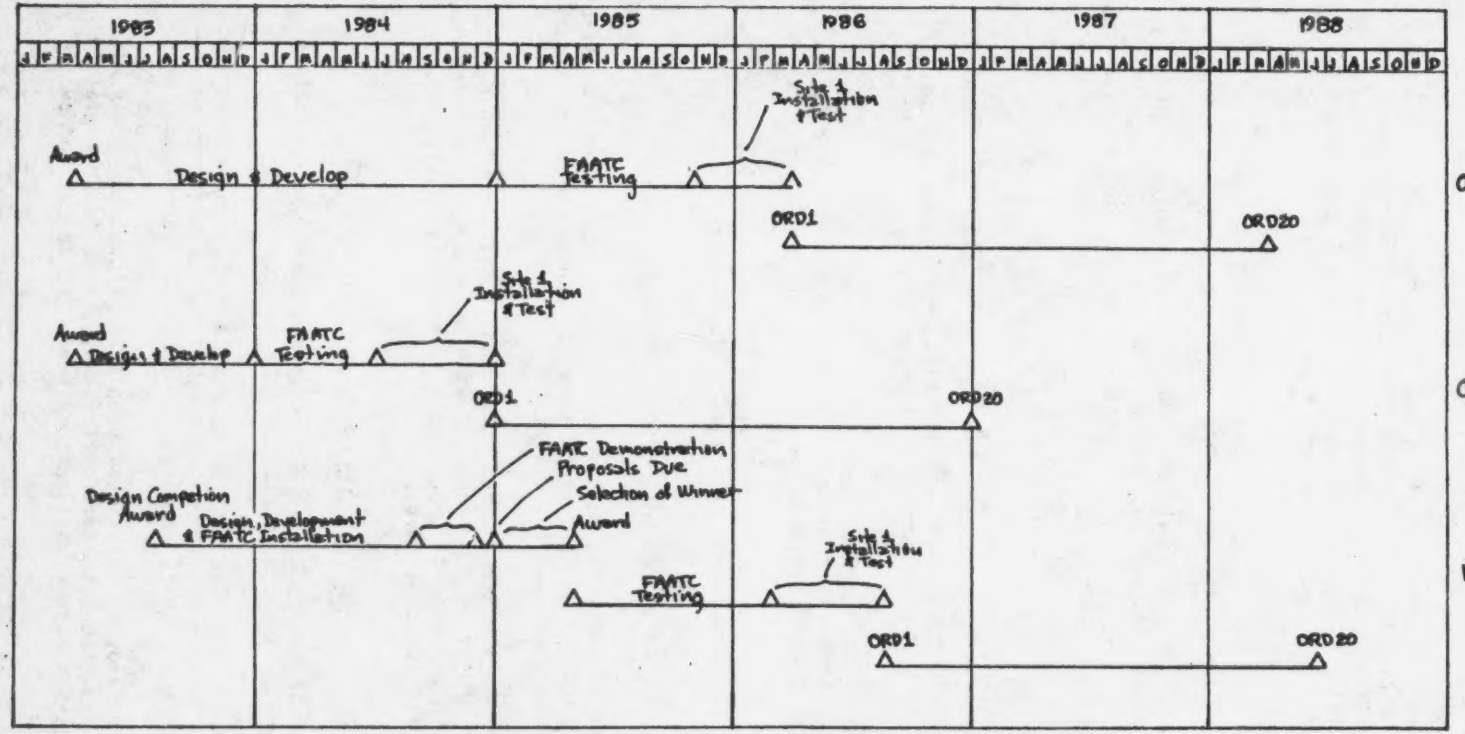
The Host schedule reflects FAA's approach to a host program that has minimal risk of failing to meet a mid 1986 date for Host operation at the first site. Differences reflected in the Host schedule are:

(1) a design competition phase for Host;

(2) a longer test period at the FAA Technical Center of the production Host System to minimize the operational impact of Host stabilization at the first operation sites; and

(3) an accelerated installation schedule made possible by limiting Host replacement to the 9020 Central Computer Complex.

The Host program is not dependent on any other NAS Plan programs. The Initial Sector Suite System Development is dependent on the Host Program since the ISSS will be based on the Host computer. The first two production Host Systems will be delivered to the two competing AAS/ISSS contractors in mid 1985. The differences between the current Host schedule and the Option 4a/4b schedule have no impact on this program dependency.



A Comparison of The Current Host Schedule With The Schedules Presented In The January 1982 Congressional Response

F. and E. PROGRAM

Senator Andrews: How will you spend the money that is allocated to you in the F&E Program by the President?

Response: In December 1981, the FAA formulated the National Airspace System Plan. The FY 1983 F&E Budget Request and this FY 1984 F&E Request are representative of the funding requirements to implement the Plan. The FAA expects to spend the money as indicated in these Budget Requests.

Senator Andrews: Can you spend any additional money, if allocated to you by the Congress?

Response: Yes, we could spend additional money on multiple year efforts such as ASR-9s, MODE-S, MLS, and Radar Microwave Links (RMLS). Our ability to install and accept into the system significant increases in quantities of these equipments in a given Fiscal Year would be problematical.

Senator Andrews: How much money do you need in F&E?

Response: Our request of $1.0 Billion reflects our current estimate of our needs for the FY-1984 program.

Senator Andrews: How much did you ask the Secretary's office for on your original request for F&E?

Response: The F&E request submitted to the Office of the Secretary for fiscal year 1984 was $1,393 million.

MICROWAVE LANDING SYSTEM (MLS)

Senator Andrews: We notice in your submission that you allocate only $1,814,200 for 6 lighting systems for ILS's. Does the Agency have, in writing, a plan for the MLS?

Response: The Agency will treat the lighting systems for MLS in the same manner as ILS. The criteria is contained in Order 7031.2B, Airway Planning Standard Number One - Terminal Air Navigation Facilities and Air Traffic Control Services.

VALDEZ MLS

Senator Andrews: Is the MLS at Valdez being used at all by the air carriers or any one at all for that matter?

Response: No. The City of Valdez is continuing to negotiate with a carrier for service. Delivery of MLS avionics is scheduled this summer and this is expected to result in operations.

It is noteworthy that local people in Valdez, the State of Michigan, and others are moving forward with MLS in recognition of the benefits it offers at locations where ILS is not economically feasible.

ARTC CONSOLIDATIONS

Senator Andrews: On page 251 of your submission you have an item for $2,400,000, to consolidate one of the Air Route Traffic Control Centers. Which Center would be eliminated in such a consolidation? What is the total plan for ARTCC's?

Response: We do not plan to reduce any of the 22 Air Route Traffic Control Center's (ARTCC's). We do, however, plan to consolidate the Combined Center Radar Approach Control Facility (CERAP) at San Juan, Puerto Rico, into the Miami ARTCC Facility under the Area Control Facility (ACF) plan. There will be 21 ACF's in the continental U.S. 1 in Alaska and 1 in Hawaii.

ARTC CAPACITY PROBLEMS

Senator Andrews: What centers will be experiencing capacity/processing problems in 1985, 1987, and 1990?

Response: As shown in the following table, the centers projected to experience computer saturation are: no centers in 1985; Denver, Houston, and Miami in 1987; Albuquerque, Denver, Houston, Miami, Oakland, and Minneapolis in 1990. These projections are based on an analysis which uses the assumptions included below the table.

NUMBER OF DAYS FOR WHICH THRESHOLD VALUE IS EXCEEDED

CENTER	1985	1987	1990
ZAB (Albuquerque)	-	-	2
ZDV (Denver)	-	5	85
ZHU (Houston)	-	21	124
ZMA (Miami)	-	4	60
ZOA (Oakland)	-	-	21
ZMP (Minneapolis)	-	-	2
Number of centers saturing per year	0	3	6

ASSUMPTIONS:

1. Saturation assumes no training on data recording during periods of high traffic activity.

2. A 30 percent "buy-back" (reduction in processor utilization due to software and hardware improvements).

3. No new functions will be added to the system.

4. No increase in transponder carriage.

Senator Andrews: Which centers and terminals have increased or decreased their controlled airspace boundaries since 1980? How much airspace is involved? Are other changes planned?

Response: ARTCC boundary changes since 1980 are as follows:

Increase Airspace	Decrease Airspace
Seattle	Oakland
Salt Lake City	Los Angeles
Albuquerque	Denver
Minneapolis	Fort Worth
Atlanta	Chicago
Jacksonville	Indianapolis
Kansas City	Memphis
New York	Miami

Future ARTCC boundary changes would be anticipated as operational needs dictate.

Although we do not have specific information regarding terminal airspace adjustments, we do know that as part of the Air Traffic Service Recovery Plan, after the strike, we expanded our Tower En Route Control (TEC) program. As a result of this expansion effort initiated on January 1, 1982, we have a total of 177 terminal facilities providing TEC. At least 33 percent of these facilities made some adjustment to operational/airspace requirements including geographical vertical expansions. Other expansions will take place when operational needs dictate and as resources permit.

INSTALLATION OF REHOST COMPUTER

Senator Andrews: At what center will the first operational rehost computer be installed? What is the approximate installation date, and why was the center selected?

Response: The first installation site has not yet been selected. It will be a low activity location to minimize any possible adverse impact of any initial installation problems.

Senator Andrews: By what factor will processing capacity be increased by the rehost?

Response. The new modern Host computer is expected to provide two to three times as much processing capability as the 9020.

ATC MODERNIZATION COSTS

Senator Andrews: What are the hardware and software costs by year through 2000 for the Air Traffic Control Modernization Program?

Response: I do not believe that it is in the best interest of Government to make our cost estimates public at this time. This data is sensitive in that public disclosure before the design competition and procurement contracts for the Host and Advanced Automation System are negotiated will restrict competition. However, I will be glad to provide this information to the members at your convenience.

SECTOR SUITES

Senator Andrews: How many and from which specific facilities have air traffic controllers come in to evaluate the sector suites? What types of deficiencies and improvements have been identified?

Response: To date FAA has developed a set of sector suite specifications which will be refined between now and award of the Advanced Automation System (AAS) contracts in early 1984. These contractors will be responsible for the design and development sector suites. Since sector suites do not yet exist, we have not performed evaluation. As the sector suites are specified, designed and built by the Advanced Automation Program efforts, they will be thoroughly evaluated by a permanent team of approximately 15 air traffic controllers. This team is called the Sector Suite Requirements Validation Team. This team, which is composed of a equal number of terminal and en route controller types and some supervisory controllers, has been established to validate the operational requirements for the sector suite, review the AAS contractor designs and conduct 'hands-on' testing and evaluation of the proposed and prototype sector suites, when they become available.

We believe that this type of formal air traffic controller involvement, from the early stages of requirement generation throughout the design and development cycle, will provide an excellent avenue for the Air Traffic Service to keep the sector suite design in line with their operational requirements.

Senator Andrews: What are the hardware and software sector suite costs for 1983 through 2000?

Response: It is in the best interest of the Government that we do not make our cost estimates public at this time. We will soon be releasing the request for proposals for the Design Competition Phase of the Advanced Automation System including sector suite hardware and software; Public disclosure of cost data will restrict competition. However, I will be glad to provide this information to the members at your convenience.

HOST COMPUTER PROCUREMENT

Senator Andrews: Given the slippage in the host computer procurement, could you effectively program the full amount of authorization if those funds were made available to you?

Respone: Our request reflects several months slippage in the Host program and we, therefore, are making complete use of the full authorization.

USER FEES AND PROGRAM LEVELS

Senator Andrews: Last year you were widely commended for your National Airspace System Plan, and it won the support of the aviation community. It is my understanding that it led to the acceptance of higher user fees in return for higher levels of airport and airways spending in support of the Plan. The higher user fees are being collected and credited to the Aviation Trust Fund. Yet the Administration's budget request for airports and airways is considerably less than the authorized levels. The user fee concept assumes that revenues collected from a certain group are to be used for a dedicated purpose. Can you explain why the Administration is not willing to spend the authorized levels of funding in FY 1984 when the Funds are available?

Response: The administration advocates authorized F&E funding totals to accomplish system modernization. Although the FY 1984 request is $393 million below the $1.393 billion authorized, it does provide full funding for those procurements for which contracts can be awarded in FY 1984. Requests below authorization represent deferments due to procurement delays and will be requested as needed in future budgets. The FY 1984 Grants-in-Aid for Airports request of $700 million (compared to $993 million authorized) when combined with $750 million for 1983 exceeds the combined FY 1983 & FY 1984 authorization contained in the orginal Airport and Airway Improvement Act of 1982 by $56.5 million. This amount is adequate to fund safety related projects, mandated security items, and to resolve critical capacity problems. The $286 million requested in FY-84 for RE&D is the authorized level. The transfer of $1.1 billion from the trust fund to support the Operations budget is a manifestation of the policy of shifting the expense of operating the National Airspace System from the general taxpayers to the system users.

In implementing the NAS Plan the FAA is using aviation user tax revenue for its dedicated purpose. In the two-year period, FY 1983-4, forecast user tax revenue is $4.975 billion. Trust Fund spending from FY 1983 appropriations and the President's proposed FY 1984 budget, will total $5.846 billion. Although proposed spending in the FY 1983-4 period is lower than authorized, it will exceed projected annual user tax revenue. Before enactment of AAIA in August of FY 1982, the uncommitted Trust Fund balance was $2.4 billion; by the end of FY 1984, the Trust Fund uncommitted balance will be $1.3 billion. Thus, the FAA is fulfilling its commitment to Congress and to the aviation community while implementing the NAS Plan by maintaining both the integrity of the user tax concept and drawing-down the uncommitted Trust Fund balance.

TRUST FUND -OTHER EXPENSES

Senator Andrews: In Title V of PL 97-248, The Congress imposed a penalty clause which would reduce the level of Trust Fund authorizations for "other expenses" of the FAA -- commonly referred to as O&M -- if the amount authorized to be appropriated for airports or F&E is below the authorized levels. Yet the Administration's request asks the Congress to appropriate a higher level of O&M ($1,099 billion) than would be authorized given the requested levels for airports and F&E. This tends to undermine the credibility of the user fee concept. Can you explain?

Response: The concept of user fees is that when specific users of government services can be identified, those beneficiaries should pay for the services provided. Costs associated with individual elements of the FAA operations budget, however, are not incurred specifically for a particular type of aviation user, but serve the aviation community at large. It seems equitable that the users finance a portion of operating costs from the Trust Fund, rather than impose on the general public to finance all operations through the use of general revenues.

The FY 1984 budget proposes a $1,099 billion transfer from the Airport and Airway Trust Fund to Operations and requests a waiver from the 1984 authorizing provisions which, if applied, would transfer these fair-share user costs back to the general taxpayer because of minor adjustments and procurement delays in our capital programs.

We intend to request the Facilities and Equipment "shortfall" in a later budget. Unfortunately, the authorizing legislation does not allow a similar "catch-up" in the Trust Fund transfer to Operations. If we do not request the higher level for Operations, the difference will be lost and the general taxpayer will have to pick up the tab.

GRANT PROGRAM

Senator Andrews: The total amount authorized by the Congress for Airports in FY 1984 is $993.5 million. It is my understanding that the FAA has in hand validated requests for well over $1 billion. How can you justify the $700 million budget request when so many projects are needed and the funds are available in the trust fund?

Response: The $700 million will be used to fund priority needs and, until recent jobs legislation increased FY 1983 funds, represents the highest amount ever requested in our budget for airport grants in a single year. Although the request file exceeds this amount, it includes items that may be deferred without significant impact on the airport system. In addition, our grant program authorizations have historically been below the levels of requests, far lower in some past years, but by directing funds to priority projects we have assured the continued operation and growth of the national system.

ILS

Senator Andrews: Last year you forwarded a reprogramming proposal requesting the cancellation of over 100 ILS's. The Committee, with a few exceptions, accepted your proposal even though it meant that some locations would have to wait a number of years before receiving the latest microwave landing system (MLS). Now it has come to the Committee's attention that FAA unilaterally reprogrammed two additional ILS systems for the Dallas-Ft. Worth Airport even though there are already five full ILS's at the airport and the two new systems were never in a budget document. The Committee finds your actions hard to understand and difficult to explain to our colleagues who have had ILS systems funded by Congress, deferred. Please provide your rationale for your reprogrammings and why this Committee should not direct FAA to install all of the original 100 plus ILS's.

Response: The Dallas/Ft. Worth Airport is one of the 22 pacing airports in the National Airspace System. A major airfield expansion program, to increase the operating capacity, was undertaken. This investment was $76 million for the two runways.

In this case, the construction of the project has progressed too far to deny the ILS's. This action was in line with our policy to defer ILS's in favor of MLS:

- Delete all ILS establish projects except those which have gone too far in the installation phase and would be economically unsound to stop. This includes planned ILS installations where significant ADAP commitments have been made.
- Retain partial ILS projects which would complete the initial ILS (the only ILS) servicing the airport.
- Install MLS's according to the networking concept cited in the MLS transition plan.
- Advance some funding for MLS into FY 1982 from savings generated by deletion of ILS's.

REPROGRAMMINGS

Senator Andrews: Detail for the record a comprehensive listing of reprogramming-type actions from October 1, 1981 to date, showing the amounts by appropriation, projects, dates, rationale, and date of Congressional approval. Justify any instances where such approval was not sought.

Response:

Facilities and Equipment

1. In adjusting our FY 1982 F&E appropriation to accommodate the $24.0 million Congressional reduction ($284.8 million requested vs $260.8 million appropriated), the FAA reprogrammed and reduced our ILS program by $42.6 million, established an MLS program for $20.2 million, and funded an additional $20.0 million in Strike Recovery project.

Reprogramming was approved by the House on 9/10/82 and by the Senate on 9/24/82.

2. $3.0 million was reprogrammed to establish ILSs on two new runways on the Dallas/Ft. Worth Regional Airport. The funding came from FY 1979, FY 1980 and FY 1981 F&E savings generated primarily by favorable bids on equipment contracts and deferral of some minor low priority F&E projects in the Southwest region.

   These ILSs were justified in line with our policy of deferring ILSs in favor of MLSs as stated in our ILS/MLS reprogramming package. The construction of the runway had progressed too far ($76.0 million expended for the two runways) to not equip them with ILSs.

3. Advance outfitting of turboprop flight inspection aircraft. $7,125,376

   Projects from which funds were reprogrammed:

FY 1979	Sabre 80 Wing Modification	$1,575,376
FY 1980	Sabre 80 Wing Modification	$2,400,000
FY 1981	Sabre 80 Service Life Extension Program	$3,150,000

   Funds no longer needed to accomplish the projects on the Sabre 80s since these aircraft are being replaced by the turboprop flight inspection aircraft approved in the Fleet Conversion Plan.

   Committee notified of our intentions by our response to your questions for the record about the FY 1983 project to purchase the turboprop aircraft for the Fleet conversion Plan to replace the Sabre 80s with turboprop flight inspeciton aircraft.

Facilities, Engineering and Development

Purchase of B-727 simulator approved in FY 1981 $2,903

Projects from which funds were reprogrammed:

1.	Solid-state Air Navigation System	$ 228
2.	Procurement of Citation aircraft	85
3.	Strobe light project	54
4.	Radar retrofit	34
5.	Improve transponder	16
6.	King Air C-90 spares	1,326
7.	Procurement of King Air F-90	1,160

Projects 1 through 5 have been completed and funds remained available.

Project 6 was for the purchase of spare parts for the C-90 Beechcraft; these aircraft are under contract for maintenance and spare parts are no longer required.

This reprogramming action was cleared orally through the staffs of the House and Senate Appropriations Subcommittees on Transportation on January 14, 1983.

Construction, MWA

$600,000 from project to link Dulles access highway to I-66 reprogrammed to National Airport master plan in order to complete the master plan work. This was done in July 1982 without Congressional approval. We believed that $600,000 out of a $43 million project was too insignificant to bring to Congressional attention.

$500,000 was reprogrammed from Dulles access road/I-66 link to the Dulles Airport master plan project in November 1982 after obtaining telephone approval through the Committee staffs.

A FY 1983 Supplemental was submitted and approved by the Congress transferring $10 million from Construction, MWA to Operations, FAA Appropriation. This transfer represented excess project funds for the Dulles Access highway/I-66 link which were needed for payroll purposes in the Operations, FAA appropriation.

Operations

During FY 1982, some high priority reprogrammings were approved. Congressional approval was not sought because reprogrammings were made only for activities properly included in the total Operations Appropriation, and only with funds derived either from slippage or savings in approved programs.

Major reprogrammings include:

	Purpose	Amount ($ in thousands)
FY 1982	NAS Support contracts (3/82)	$1,200.0
	AT Charting program (3/82)	2,326.0
	Unemployment compensation (9/82)	3,400.0
	Standard level user charges/utilities (throughout year)	2,600.0
	Wind Shear Studies (9/82)	760.0
	Stocks and Stores replenishment (throughout year)	2,500.0
	Telephone system - Southwest region (6/82)	500.0
	Purchase of regional computers (9/82)	5,200.0
	Telecommunications (9/82)	6,500.0
	Aviation Systems Analysis Program (ASAS) (9/82)	6,000.0
	Flight Standards out-of-agency training (3/82)	1,000.0
	Aircraft loan guarantee default (9/82)	15,000.0

Some of the major reprogrammings itemized above were required by law (e.g., unemployment compensation, aircraft loan default). Others such as the wind shear study, were unanticipated, critical needs that occurred during the year. Still others like the regional computers, the telecommunications and the ASAS contracts

were high priority items deferred earlier in the year when a furlough appeared necessary but was not required when the supplemental was passed close to year-end.

FY 1983 September through March

Controller chair replacement (3/83)	500.0
Economic Studies (3/83)	800.0
Aviation Systems Analysis Program (3/83)	2,000.0

AIRPORT CAPACITY

Senator Andrews: How would you evaluate existing and potential airport capacity problems and what actions are you taking to deal with them?

Response: The Federal Aviation Administration (FAA) has long identified existing and potential airport capacity problems as perhaps the most serious long-term constraints on the aviation system. Extensive studies and research and development have been underway for more than a decade to achieve higher airport capacity and to remove the constraints which create delay. In recent years, FAA has worked closely with the airport community in a series of FAA/Industry Task Forces to identify both near-term and long-term solutions to the airport capacity problem. While recognizing that technology solutions can provide only limited additional capacity, even small capacity increases have a major impact on reduction of delays and delay costs. FAA's efforts have been in two directions. On an airport operational basis, we have efforts concerning the improvement of airports themselves--assuring FAA's best services in helping communities develop and improve their airports and airport systems, establishing policies to aid airports and communities, establishing a system of reliever airports, examining the potential for joint civil use of military airfields, and supporting a massive program of airport aid to enlarge and enhance the Nation's airport system. On the technology side, we have worked for a number of years to identify optimum methods of increasing capacity by technological means.

Because the airport capacity problem is difficult, FAA has recently called together leaders of the aviation industry to identify the most promising actions that FAA and the community can take to achieve additional airport capacity and to reduce delays. That effort had participation by a number of eminent aviation authorities from industry and academia and has resulted in a series of recommendations. FAA is currently evaluating those recommendations and is about to respond formally with action plans on the majority of the recommendations made. Some of those responses will be near-term improvements to the system, some will be in the policy area, and some will be in the technical development domain. The FAA response will indicate that a number of activities are already underway.

EXPANDED COMMUTER USE OF THE DULLES ACCESS HIGHWAY

Senator Andrews: Secretary Dole recently endorsed a proposal to expand commuter use of the Dulles Access Highway pending completion of the Dulles toll roads. How does this relate to the proposed lowering of the passenger cap at National Airport?

Response: The proposed expanded commuter use of the Dulles Access Highway is an extension of the current commuter carpool arrangements on the Access Highway. It is to be a temporary expedient to reduce rush hour traffic congestion until the Dulles toll roads have been completed in late 1984 or early 1985. It bears no relationship to the proposed lowering of the passenger caps at National Airport. We have carefully reviewed the traffic projections associated with this proposal, and we are confident that no serious impediment to airport-bound traffic will occur.

RUNWAY MAINTENANCE

Senator Andrews: The FAA spends hundreds of millions of dollars for the construction and improvement of airport runways. Yet, a GAO report last year addressed itself to the problem of small airport runways deteriorating because of deferred mainenance. This, of course, leads to structural problems which result in increased Federal rehabilitation and improvement costs. What actions have you taken to report poor mainenance conditions and practices during airport inspections and require the owners to make timely repairs? Have you considered including local maintenance effort as one of the criteria for qualifying for additional Federal funding for airport expansion and improvement?

Response: We have requested our regional offices to contact each state within their region to determine if they have any type of program to help airport operators with maintenance, either through funding or equipment loan. We have also advised our regional offices to place greater emphasis on the inspection of pavements and to review the sponsor's maintenance program during the regular airport compliance inspection. Inspectors have been instructed to immediately advise the airport owner of any marginal or unsafe condition and require corrective action to be taken under the compliance program.

We have also issued an advisory circular on maintenance of airport pavements. This advisory circular includes information to assist airport managers in establishing a preventive maintenance program.

UNION STATION HELIPORT

Senator Andrews: According to press reports, the FAA is pushing to revive a plan to build a heliport at Union Station and inaugurate helicopter service between Capital Hill and surrounding metropolitan airports. Why are you so interested in a heliport at Union Station? Would such a heliport be financially self-supporting? How did you evaluate the noise impact and affect on restrictive airspace over the Capital and the White House in reaching your decision to urge the heliport be constructed?

Response: The FAA's interest in a heliport at Union Station stems from the growing importance of helicopters and our responsibilities to provide for our nation's air transportation needs. Scheduled helicopter service from a downtown location to Dulles International and Baltimore Washington International airports, as well as other outlying communities, would greatly enhance the area's air transportation system. Such service could improve the use of Dulles International Airport by attracting more air carriers, relieve congestion at Washington National, and, as surface congestion grows, provide quick and efficient connecting air service for the public. Proponents of a heliport at Union Station foresee that it would have positive economic benefits. Revenues would be generated through a system of landing and parking fees. Studies of a downtown heliport location have shown Union Station to be a prime site, offering connections to other forms of transportation; minimum environmental impact with departures and arrivals over the rail yard to the north; and close proximity to key Government officials, business and community travelers, and Congressional personnel. A formal study conducted by the National Capital Region Transportation Planning Board evaluated potential downtown heliport sites and concluded that the Union Station location offered minimal noise impact and effect on airspace restrictions.

The FAA is ready to assist other elements of the Department of Transportation, the District of Columbia, and the Congress in establishing a viable D. C. downtown heliport.

PUBLIC AIRCRAFT

Senator Andrews: Define the distinction between public and civil aircraft.

Response: These terms are defined in Section 101 of the Federal Aviation Act of 1958 (49 U.S.C. 1301) as follows:

"Civil Aircraft" means any other aircraft other than a public aircraft (41 U.S.C. 1301 (17)).

"Civil Aircraft of the United States" means any aircraft registered as provided in this Act (49 U.S.C. 301 (18)).

"Public Aircraft" means an aircraft used exclusively in the service of any government or of any political subdivision thereof including the government of any State, Territory, or possesion of the United States, or the District of Columbia, but not including any government-owned aircraft engaged in carrying persons or property for commercial purposes (49 U.S.C. 1301 (36)).

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Senator Andrews: In virtually every reference to "aircraft" in the Federal Aviation Act or the Federal Aviation Regulations (FAR), the reference is to "civil aircraft," thus excluding "public aircraft" from Federal safety standards. For example, Sec. 601 of the Federal Aviation Act requires the Administrator "to promote safety of flight of civil aircraft in air commerce..." The rationale for excluding "public" aircraft from Federal Aviation Regulations was that it was assumed that the Government agency, which was using the aircraft, would ensure a safe operation. This assumption is not valid, however, since no Governmental agency (especially state and local governments), other than units of the Armed Services, is qualified to administer and enforce aviation safety in a manner consistent with Federal standards. This "public" aircraft loophole allows a community, a school district, a housing authority, or "any political subdivision" to lease an aircraft (for any period of time), which is not required to have an airworthiness certificate (Sec. 610(a)(1) of the Federal Aviation Act and FAR 91.27) is not required to have a qualified crew (FAR 61.3(a)) and is not required to comply with most minimal operating and flight rules as described in FAR Part 91. Thus, the basic problem with the operation of "public" aircraft is that there are, in effect, few standards of safety with which they must comply. What consideration have you given to correcting the definition of public aircraft to bring at least minimal safety standards to bear on "public aircraft"?

Response: You are correct that public aircraft are not required to have a FAA airworthiness certificate and their crews do not have to hold FAA airman certificates. Public aircraft must, however, comply with FAA air traffic and airspace regulations which are issued under the authority in Title III of the Federal Aviation Act of 1958.

Most Governmental agencies voluntarily comply with the FAA rules issued under Title VI of the Federal Aviation Act of 1958. So, most public aircraft do have FAA airworthiness certificates and their crews do hold FAA airman certificates. I understand that some thought was given to seeking legislation to give the Federal Aviation Administrator some discretionary authority to regulate public aircraft by the prior Administration. Such action would run contrary to the philosophy of this Administration as reflected in the Regulatory Flexibility Act and Executive Order 12044, "Federal Regulation." We do not intend to pursue such legislation.

RESTRICTED AIRCRAFT EXEMPTIONS AND CARGO CARRIAGE

Senator Andrews: Please cite for the record the "minimum" and "reasonable" degree of safety in air commerce provided for by Section 601(a) of the Federal Aviation Act.

Response: Sec. 601(a). The Secretary of Transportation is empowered and it shall be his duty to promote safety of flight of civil aircraft in air commerce by prescribing and revising from time to time:

(1) Such minimum standards governing the design, materials, workmanship, construction, and performance of aircraft, aircraft engines, and propellers as may be required in the interest of safety;

(2) Such minimum standards governing appliances as may be required in the interest of safety;

(3) Reasonable rules and regulations and minimum standards governing, in the interest of safety, (A) the inspection, servicing, and overhaul of aircraft, aircraft engines, propellers, and appliances; (B) the equipment and facilities for such inspection, servicing, and overhaul; and (C) in the discretion of the Secretary of Transportation, the periods for, and the manner in, which such inspection, servicing, and overhaul shall be made, including provision for examinations and reports by properly qualified private persons whose examinations or reports the Secretary of Transportation may accept in lieu of those made by its officers and employees;

(4) Reasonable rules and regulations governing the reserve supply of aircraft, aircraft engines, propellers, appliances, and fuel and oil, required in the interest of safety, including the reserve supply of aircraft fuel and oil which shall be carried in flight;

(5) Reasonable rules and regulations governing in the interest of safety, the maximum hours or periods of service of airmen, and other employees, or air carriers; and

(6) Such reasonable rules and regulations, or minimum standards, governing other practices, methods, and procedure, as the Secretary of Transportation may find necessary to provide adequately for national security and safety in air commerce.

Senator Andrews: Under the Federal Aviation Act, the Administrator may grant exemptions from the safety provisions of the Act (Sec. 601(c)) if he "finds that such action would be in the public interest". Based on this authority, the Administrator is permitted under FAR 21.25(a) to grant a type certificate to the applicant in the "restricted category for special purpose operations if the applicant shows . . . that no feature or characteristic of the aircraft makes it unsafe when it is operated under the limitations prescribed for its intended use and that aircraft meets the airworthiness requirements of an aircraft category except those requirements that the Administrator finds inappropriate for the special purpose for which the aircraft is to be used; or is of a type that has been manufactured in accordance with the requirements of and accepted for use by, an armed force of the United States and has been later modified for a special purpose". Under this same section, "special operations" are defined as:

1) Agricultural (spraying, dusting, seeding, and livestock and predatory animal control);

2) Forest and wildlife conservation;

3) Aerial surveying;

4) Patrolling (pipelines, power lines and canals);

5) Weather control (cloud seeding);

6) Aerial advertising; and

7) Any other operation specified by the Administrator.

Once the type certificate is obtained, an aircraft in the "restricted category" can obtain an airworthiness certificate under FAR 21.185 "if the aircraft has been inspected by the Administrator and found by him to be in a good state of preservation and repair and in a condition for safe operation". Due to the fact that these operations would be conducted with waivers to safety rules which apply to standard operations, the restricted category aircraft are not permitted (by FAR 91.39) to operate (without further waivers) -

"1) Over densely populated areas;

2) In a congested airway; or

3) Near a busy airport where passenger transport operations are conducted".

The basis for this exemption authority and the rationale for applying a lesser degree of safety for "restricted category" aircraft is that the Administrator needs flexibility in order to meet special and unique situations. However, you have allowed the carriage of cargo to be considered a "special purpose operation". While the federal regulations (FAR 91.39(b)) prohibit restricted category aircraft from "carrying persons or property for compensation or hire", the owners of these aircraft evade the intent of the regulations by leasing their aircraft to a company which will then transport its own goods or cargo, or purchasing the cargo from the supplier and then transporting it and selling it to a pre-arranged purchaser at a final destination. The provision of law which allows the Administrator to grant exemptions to normal regulations governing safety and thereby permitting operators or restricted aircraft to carry cargo has, in effect, established a dual standard of conduct. Aircraft operators with standard operating permits must meet all the regulations governing safety, while operators with restricted aircraft may avoid regulations. But, even these "minimum and "reasonable" regulations which govern operators with standard certificates, you have reportedly granted exemptions to operators who wish to carry cargo with restricted aircraft. What would be your position on amending Sec. 601(c) to require all operators to use the same rules and regulations if they wish to compete in the carriage of cargo, as follows:

(c) The Administrator from time to time may grant exemptions from the requirements of any rule or regulation prescribed under this title if he finds that such action would be in the public interest. However, the Administrator may not grant any exemptions for the carriage of cargo as a special purpose operation under Federal Aviation Regulation, Title 14, Sec. 2125(b).

Response: Federal Aviation Regulations (FAR) Section 21.25 is not based on an exemption from the Federal Aviation Act of 1958; rather, a restricted category aircraft certificate is but a category of airworthiness certificate issued pursuant to the FA Act. For example, in addition to standard and restricted category certificates, there are others, such as: Limited, Provisional, and Experimental. The certification standards for restricted category aircraft permit certain deviations from the standards applied to aircraft in the standard category, however, such deviations are compensated by the operating limitations that are designed to protect persons and property on the ground and other users of the airspace. Additionally, passengers are not permitted to be carried aboard restricted category aircraft during flight, nor can restricted category aircraft be operated for compensation or hire, or engage in common carriage. The FA Act has long distinguished between the safety levels required for air carriers and those applied to non-air carriers, and so have the FAA regulations in terms of required levels of safety. The operators of restricted category aircraft used for carrying cargo can be likened to persons who rent or lease trucks to carry their own goods or possessions, and who are not subject to the provisions of highway common carriers. Accordingly, we would not support the proposed amendment since we believe that an appropriate distinction has been drawn between the permissible users of restricted category aircraft and those which can be used for compensation and hire in common carriage. In the absence of a safety rationale for making such a change, we believe it is unnecessary since, in our view, persons engaged in carrying their own goods are not in competition with those charging for their services.

MODE S AND TCAS

Senator Andrews: The GAO recommended in February that you defer further expenditures on Mode-S and TCAS until a full review has been completed. Are you complying with that recommendation? If not, why not?

Response: The GAO asserted that the Mode-S sensor is unable to satisfy the performance requirement to interrogate 400 aircraft to meet future traffic projections. Our testing shows clearly that the specified capacity requirements can be met. Our request for proposals includes options to handle 225, 400 or 700 interrogations. No additional testing is required. The GAO also asserted that TCAS would (1) provide unwanted and unnecessary advisories to pilots that could be disruptive, (2) pilot response time to advisories may be too long and (3) aircraft without transponders cannot be detected by TCAS. Recent live tests, in the highest density beacon environment, the Los Angeles basin, clearly demonstrated the effectiveness of the TCAS. Additional flight testing will be accomplished using Boeings's cockpit simulator, Lincoln Laboratory, FAA's B-727 Test Aircraft and a Piedmont B-727 in-service aircraft to resolve any issues of pilot acceptance. This testing will be completed early next year prior to operational implementation.

JOINT-USE OF AIRPORTS

Senator Andrews: In September 1982, the Congress directed the Departments of Defense and Transportation to submit a plan within one year for making domestic military airfields available for joint military and civilian use. The plan is to recommend public sector civilian sponsors for each joint use airport proposed. Will the plan be completed by September 1983?

Response: The plan will be completed by September 1983. While the plan is expected to result is some joint-use agreements it is also expected that other joint-use proposals will be so complex that they will not be fully resolved before the plan goes to Congress in September. Further, a key ingredient in actually obtaining joint-use will be a continuing effort by the local airport sponsors working with the military in developing the actual joint-use agreements and operational plans.

Senator Andrews: Will the DOT/DOD plan identify and recommended specific military airfields for joint use?

Response: Representatives of the DOT/DOD are working on the plan to expand joint use and have selected 24 airbases for examination where the civil need is most obvious. An aviation consultant is presently under contract to study those locations where practical and feasible specific military airfields will be recommended for joint use.

Senator Andrews: Will the plan recommend specific civilian sponsors for each airfield identified for joint-use?

Response: The plan will recommend public-sector, civil sponsors for each joint use location proposed in the plan.

Senator Andrews: Will a cost-benefit analysis be included in the plan for each potential joint-use airfield? If not, how will you determine if joint use is cost effective at each airfield?

Response: The plan will describe the potential civil use of each airfield and the associated cost of developing the joint use concepts. The ultimate cost-benefit analysis will be undertaken when working out the details of actual civil development and finalization of the joint-use agreements.

AVIATION SAFETY ANALYSIS SYSTEM

Senator Andrews: Key to being able to identify and analyze safety hazards are FAA's efforts to establish a computer-based information system known as the Aviation Safety Analysis System (ASAS). This system would link into one system, several information systems that now exist both inside and outside FAA and the Government. To have this complex system operational by December 1984, as planned, depends upon completing several activities that are being developed separately. Should one or more of the separate activities not be completed on time, the planned implementation date of December 1984 for the entire ASAS to become operational could not be met. Will the entire ASAS be in opera-

tion by December 1984 as planned? What is the status of the purchase of the hardware and related programs of the ASAS? What will this system cost? How much of this cost is hardware cost? What will the training costs be?

Response: This program is being developed in a series of steps, or "Marks." When selected ASAS functions are coupled with the system capabilities of the Field Office Modernization Program, the result will be "Mark I" ASAS. This phase is scheduled for operation by 12/31/84. Delivery of the Sony dictation equipment is complete. The Burroughs information processing equipment is presently being installed. Software specifications to support ASAS programs in Mark I are currently being written. To date, we have expended $15.1M for the ASAS Program. The Sony dictation equipment contract amounted to $750,000. The Burroughs information processing equipment has cost $3.4M to date. Training was included in the Sony dictation equipment contract and was not separately identified. Training costs in the Burroughs information processing equipment contract amount to $1.4M.

ANTI-MISTING FUEL (AMK)

Senator Andrews: For several years, FAA has been testing and evaluating antimisting agents for use as an additive in aviation fuel to reduce/prevent postcrash fires. When will these efforts be concluded so that a decision can be made on the use of antimisting agents? How much has the FAA spent on this program over the last 5, 10, 15 years? Is this testing and evaluation program still ongoing and at what cost? Is there any information available as to whether commercial aviation can afford the cost of using and handling any of these agents?

Response: The current FAA program on antimisting fuel is on schedule and expected to be completed with a full-scale crash demonstration of the fuel's performance in July 1984. Preliminary recommendations relative to whether it should be introduced into civil aviation, will be available in May 1984. Final recommendations, which will incorporate the results of the July 1984 crash demonstration, will be made in December 1984.

The antimisting fuel program was begun in 1978 concurrent with the signing of a Memorandum of Understanding with the United Kingdom, and at that time the present schedule was established. Research and development funding for the years since then are:

FY 1978	$ 568,000
FY 1979	1,706,000
FY 1980	2,903,000
FY 1981	2,312,000
FY 1982	1,294,000
FY 1983	4,185,000
FY 1984	2,560,000
FY 1985	635,000
TOTAL	$16,163,000

Preliminary data, utilizing a generalized benefit/cost methodology indicates that a ticket price increase of about 3 percent will cover the 20-year cost of AMK introduction into civil aviation.

GADO OFFICES

Senator Andrews: The GAO issued a report to the Secretary of Transportation in June 1981 concerning the operation of FAA's general aviation district offices. One of the activities looked at in the GAO study was the district office modernization program and the use of modern equipment to increase productivity. GAO questioned whether the savings from using this equipment justified the cost. What is the status of this program? How many district locations have installed dictation equipment? Information processing equipment? How much has this equipment cost? How much has the programming and training for this equipment cost? Do you have or can you supply documentation showing the nature and extent of savings produced by this program? Was staffing reduced?

Response: Sony dictation equipment deliveries are complete. Burroughs information processing equipment is presently being installed nationwide. Dictation equipment has been installed in approximately 160 field offices. Delivery and installation of approximately 360 micro-computers in 163 offices nationwide began in December 1982 and will continue throughout 1983 and 1984. The Sony dictation equipment cost $750,000. The Burroughs information processing equipment has cost $3.4M. Training costs are $1.4M. Maintenance costs are $5.9M for the 5-year system's life of the equipment. Training costs were included in the Sony dictation equipment contract and were not separately identified. The Burroughs information processing contract contains $1.4M for training. To date, approximately $20,000 has been expended for programming. We will be able to provide this documentation when all phases of the program are complete. The analysis and comparison will not be made until all test sites have received equipment, training is completed, data bases are in place, procedures are available, and we have a 6-month experience factor. Six months after these conditions are met, the final report will be available, approximately mid-1984. Yes. We saved 24 positions in FY-82 and expect to realize additional savings this year.

Senator Andrews: The report states that "FAA expects to free-up for more critical safety work the equivalent of 196 inspector positions by using the equipment." How much of this has been realized? Has this modernization program been expanded to include the Air Carrier District Offices; the Engineering and Manufacturing District offices; or the Aviation Security District Offices? Were any of these offices furnished with equipment so that effectiveness and feasibility could be evaluated before purchasing equipment?

Response: Implementation of the Field Office Modernization (FOM) Program will result in additional savings of inspector-years. Until the evaluation at the 12 test sites is completed, however, exact numbers will not be available. The FAA Information Systems Review Committee in June 1980 approved the FOM Program for nationwide implementation in Flight Standards District Offices, Air Carrier District Offices, General Aviation District Offices (GADO), Civil Aviation Security Field Offices, and Engineering and Manufacturing District Offices (now Manufacturing Inspection District Offices). This decision was based on the results of the GADO study which revealed the similarity of work in these offices with the work being performed in the GADO's. Four GADO's in the Southern Region were furnished with equipment so that we could determine whether or not there is a savings through automation.

MLS REASSESSMENT

Senator Andrews: Due to the dramatic increase in jet travel in the 1960s it became apparent to aviation planners that the existing precision approach and landing guidance system, ILS, had limitations which inhibited existing, as well as future, landing requirements. As a result the MLS concept was recommended as a replacement for ILS. The FAA maintains that ILS: provides only a str ght-in approach capability; is affected by mountainous terrain, snow, and tides; and has limited channel capability. Recently, technological improvements have been made to ILS. As a result, the above limitations may no longer be valid. In addition, the improved ILS reliability and maintainability may be higher than that projected for MLS. Based on recent technological improvements to ILS, does FAA plan to reassess the need for MLS in the near future?

Response: The technological improvements in ILSs have resulted from FAA's continuing efforts to achieve the highest possible availability and integrity for precision approach service. However, the limitations cited are still present and must be handled by special efforts on a site-by-site basis. ILS cannot support the full range of civil and military operational requirements for approach and landing. On the other hand, MLS has been specifically designed to satisfy all of these requirements on an interoperable basis.

The ILS reliability improvement stems from the use of solid state equipment which was designed to meet an MTBF of 1800 hours for each subsystem (localizer and glide slope). Since the contractor must design to worst case stress conditions, it should be expected that the equipment will actually perform better in a typical operational environment, and this in fact has occured for ILS. In the MLS case, the equipment will be designed to meet an MTBF of 4000 hours for each subsystem and we expect a corresponding improvement in actual operation. Furthermore, MLS is being specifically designed to meet the 80s maintenance program and will have not only high reliability, but also remote maintenance monitoring and redundancy which will enable the achievement of mean time between outages of approximately 30,000 hours.

The benefits of MLS are much broader than just the reliability and maintainability question. Other benefit areas include: a) applications to improve airport utilization and reduce delays, and noise abatement; b) lowering of approach minima, particularly for CAT II and III operations; c) flexible paths to avoid terrain and obstacles; d) uniform signal quality to facilitate autocoupled approaches and automatic landings; e) much improved capture performance compared to ILS and improved tracking during adverse wind conditions; f) approaches to multiple runways from a single installation, g) reductions in runway critical areas; h) availability of missed approach and departure guidance; i) availability of auxiliary data to facilitate approach aid landing procedures and to enhance safety, and k) civil/military interoperability, etc.

The need for MLS has been reviewed on many occasions both nationally and internationally. This has been accomplished with extensive involvement by the users throughout the program. For example, the operational requirements were developed with the users in RTCA SC-117 and formed the basis for both the U.S. and ICAO programs. A formal Advisory Committee with full user representation guided and monitored the program for several years and participated

in the selection of the MLS system technique. Implementation planning was accomplished with the users during RTCA SC-125. Also, prior to selecting an implementation strategy, FAA carried out a full coordination process including public hearings and there was strong support for moving out with implementation. More recently, the Industry Task Force on Airport Capacity and Delay Reduction has supported the need for MLS. In addition, user participation was included in the MLS STEP program.

Senator Andrews: If the ILS limitations no longer exist, how is the acquisition of MLS justified?

Response: As I indicated in our response to the previous question , the ILS limitations are still present and must be handled by special efforts on a site-by-site basis. ILS cannot support the full range of civil and military operational requirements for approach and landing. On the other hand, MLS has been specifically designed to satisfy all of these requirements on an interoperable basis.

Senator Andrews: Will aircraft be permitted to fly over residential and other restricted areas to make curved approaches using MLS?

Response: Quite the contrary. The curved approach capability of MLS will provide, in some cases, a means of reducing low altitude operations over residential or restricted/noise sensitive areas.

Senator Andrews: What is the justification for installing the microwave landing system (MLS) on a national basis? Was the justification developed on a case-by-case basis for major airports only, a mixture of various size airports, or all airports? Which airports will benefit most from MLS? In what way? How will the three largest airports benefit from MLS? Can MLS be installed at international gateway airports only? What problems would arise by having dual systems at these airports.

Response: It must be on a national basis, otherwise, we will end up with two types of systems. The justification was based on operational requirements of all airports and all users. All airports will benefit. MLS provides more versatile precision approach capability and does not suffer from the single approach and technological limitations of ILS. The largest airports will benefit in the same manner as the small airports. Improved safety, reduced flight disruptions, shortened approaches, and reduced noise. Yes, MLS can only be installed at international gateway airports, however, we would be faced in the long run with dual maintenance costs and this option would not satisfy the need to replace ILS nationally.

Senator Andrews: What assurance does FAA have that aviation users, especially the air carriers, will invest in MLS avionics equipment? Has the FAA demonstrated to the air carriers that installing MLS avionics will be financially advantageous? Under what circumstances would FAA mandate that air carriers install MLS avionics?

Response: The MLS was developed with the participation and guidance of the aviation community in the development of the operational requirements and selection of the MLS system technique. Prior to deciding to proceed with implementation, FAA coordinated the transition plan, including an economic analysis, with the public and there was strong support for proceeding with implementation. As MLS equipment is installed and the benefits become available, the users will want to equip to take advantage of the additional benefits. Since the MLS will provide for better service than the ILS, we do not foresee the need to mandate equippages. Our transition plan is predicated on a lengthy evolutionary changeout.

CURVED DESCENDING APPROACHES

Senator Andrews: The FAA determined that improved aircraft performance and increased air traffic density placed new demands on approach and landing systems which could not be met by the ILS. The FAA claims that MLS can meet this demand by providing a flexible guidance system (i.e., curved approaches) which will result in noise abatement, and increased airport capacity. MLS evaluations of the engineering feasibility of executing curved approaches have shown that the MLS signal is adequate to perform this function. However, the FAA has not yet tested the operational feasibility of performing curved descending approaches using present-day instrument displays in commercial type aircraft. Does FAA plan to conduct curved approach tests using large wide body commercial aircraft to demonstrate operational feasibility and safety?

Response: FAA and NASA have recently completed an operational flight test program of curved descending approaches for the purpose of developing the criteria for Terminal Instrument Approach Procedures (TERPS). These approaches were flown manually using present day instrument displays in a B-737 aircraft. The pilots for these flight tests were current airline pilots. The curved approaches were flown extremely well with the available instruments and did not produce high workload. Pilot observations were that a big advantage of MLS was the smooth and stable signals.

FAA is currently developing test plans for MLS operational tests and demonstrations using large wide body aircraft to be carried out during FY-84, FY-85 and FY-86. Some of this effort will be included in a joint program with the Air Force.

Senator Andrews: Would curved approaches cause problems with the ability of controllers to maintain the required minimum separation between aircraft?

Response: Curved approaches, in general, are not anticipated to present operational/procedureal problems for the air traffic controller. However, as these approaches are developed in the future using the full capability of MLS, separation standards will be required to be reviewed for converging application based on standards/criteria established for the actual instrument approach procedure.

Senator Andrews: What is the minimum straight-in approach length segment needed after the curved approach? How does this compare to straight-in ILS approaches?

Response: The straight-in approach segment length after a curved approach will vary depending on the particular approach procedure. For manual approaches using a conventional flight director where an operational advantage can be gained, a minimum straight-in approach segment of 60 seconds could be achieved for a 90° curved approach. This equates to a segment length of 2 nmi for a typical approach speed of 120 kts for Category C aircraft.

Straight-in ILS approaches are typically 5.5 nmi to 7 nmi in length from the approach gate.

Senator Andrews: A recent NASA study stated that no benefit, either in increased airport capacity or decreased flight time, was achieved by MLS over ILS in straight-in final approaches. If this is the case, what are the benefits of MLS?

Response: The study apparently did not consider the potential for lower approach minima with MLS, particularly for Category II and III operations, due to its improved signal quality and siting insensitivity. This could provide a benefit in airport capacity or decreased flight time even for straight-in approaches. Also, the capabilities of MLS will offer opportunities for other capacity applications such as, improved missed approach procedures, elimination of conflicting traffic patterns with adjacent airports, use of separate short runways and wake vortex avoidance.

MLS VS. ILS RELIABILITY

Senator Andrews: One of the justifications for MLS is the increased operational reliability and maintainability of MLS in comparison to ILS. ILS reliability and maintainability has improved substantially in recent years, while the MLS, in operational testing, has not yet met reliability and maintainability goals. FAA measures operational reliability through a system's mean time between failures (MTBF). The reliability of MLS is stated in a system MTBF specification of 4,000 hours, as compared to the ILS MTBF specifications of 1,000 hours. This improvement in the MLS MTBF is to result from new solid-state techniques and the lack of susceptibility of the MLS signal to geophysical effects. However, FAA officials have stated that the average ILS MTBF is currently

above 3,000 hours, while the newest solid-state ILSs are operating with a MTBF of approximately 6,000 hours. The main reason for the recent ILS reliability improvement is the replacement of the old tube-type ILS with the new solid-state models. Does FAA plan to conduct further reliability and maintainability testing prior to procurement of the first production models? Based on the improvement in ILS reliability and maintainability what is to be attained by replacing ILS with MLS?

Response: The ILS reliability improvement stems from the use of solid-state equipment which was designed to meet an MTBF of 1,800 hours for each subsystem (localizer and glide slope). Since the contractor must design to worst case stress conditions, it should be expected that the equipment will actually perform better in a typical operational environment, and this in fact has occurred for ILS. The average operational values cited for all ILSs and for the solid-state ILSs are mean time between outage (MTBO) values and cannot be directly compared to the specification MTBF values. The MTBO values are provided in lieu of MTBF for the operational systems since a significant portion of the total equipment population is dual channel (main and standby) equipment and, therefore, records will not be available for failures that did not result in a system outage.

In the MLS case, the equipment will be designed to meet an MTBF of 4,000 hours for each subsystem and we expect a corresponding improvement in actual operation. Furthermore, MLS is being specifically designed to meet the 80's Maintenance Program and will have not only high reliability, but also remote maintenance mean time between outages of approximately 30,000 hours. Formal reliability and maintainability tests will be conducted as a part of the first article test program using the initial production systems.

The benefits of MLS is much broader than just the reliability and maintainability question. Other benefit areas include: a) applications to improve airport utilization and reduce delays, and noise abatement; b) lowering of approach minima, particularly for CAT II and III operations; c) flexible paths to avoid terrain and obstacles; d) uniform signal quality to facilitate autocoupled approaches and automatic landings; e) much improved capture performance compared to ILS and improved tracking during adverse wind conditions; f) approaches to multiple runways from a single installation; g) reductions in runway critical areas; h) availability of missed approach and departure guidance; i) availability of auxiliary data to facilitate approach aid landing procedures and to enhance safety; and k) civil/military interoperability, etc.

ILS PHASEOUT

Senator Andrews: Currently ILS is authorized for international use through 1995. Will this system be phased out of non-gateway airports before that date? If so, what will be the basis or criteria for removing ILS, i.e., will it be replaced only if it is too expensive to repair and maintain, or will the criteria be that ILS and MLS will not be used at the same location? What effect would a 5 or 10 year extension of ILS have on operations and maintenance costs?

Response: FAA plans provide for an ILS to continue in service for up to ten years after the installation of the MLS at the same location. ILS services may be discontinued earlier where a survey

indicates that a majority of the normal users are MLS equipped. While costs to the users and FAA would be minimized by discontinuing the ILS as early as possible, application of the plan to a particular location must weigh the degree of user equippage, rate of equippages, actual use of the system and age of the ground equipment at the location. A 5 or 10 year extension of the ILS would increase operations and maintenance costs significantly because we would have to continue operating many systems beyond their useful life. Many of the existing ILSs have been in operation for over 15 years. In some cases, manufacturers do not make replacement parts and even substitute parts are not available. The only practical solution is to replace the system. Considering acquisition time, it would be more practical and cost effective to replace the obsolete ILS equipment with the MLS.

Senator Andrews: We understand that elimination or delayed implementation of MLS would not jeopardize the National Airspace System Plan. We were told that the Office of the Secretary of Transportation recently had reservations regarding the justification for replacing ILS with MLS. Since GAO is currently doing a review and their preliminary findings indicate serious concerns regarding the benefits to be attained with MLS, would it be prudent to delay procuring MLS until all the data can be properly considered and evaluated?

Response: Elimination or delayed implementation of MLS would seriously impact the National Airspace System Plan. The plan is a series of improvements in the areas of safety, capacity, productivity and economy that makes use of higher levels of automation, and the application of modern, lower cost technology. These improvements must be integrated in terms of the total navigation/ATC system so that a balance is achieved that prevents any one function from becoming a limiting factor in achieving these goals. In this context, the MLS was specifically designed for that part of the navigation function that provides services to aircraft for approach and landing. It is one element, and an essential element, in servicing the total flow of air traffic in the National Airspace System. Accordingly, the benefits from improvements in the NAS functions of air traffic control, surveillance, navigation and communications, will not be fully realized unless the approach and landing function is also improved at the same time.

The reservations expressed by the Office of the Secretary of Transportation (OST) were a part of the final program approval process. These were resolved and on April 8, 1983, the OST gave the final approval to proceed with full implementation. The GAO concerns were considered as part of the OST approval and it was determined that there was nothing that invalidated the justification to proceed.

FSS AUTOMATION

Senator Andrews: As part of its plan to upgrade the nation's air traffic control system, the FAA plans to automate flight service station operations. The automated system is expected to eventually offset acquisition costs through savings in personnel costs. The current plan calls for a network of 61 automated flight

service stations supported by 20 flight service data processing systems, which will eventually incorporate pilot-owned self-briefing devices into the system. FAA plans to implement automation in three stages. Model 1 will allow FSS specialists to retrieve weather data in narrative form for relay to pilots, and to file flight plans for pilots. Model 2 will provide the FSS specialists with weather in graphic display form. Model 3 will allow private pilots to obtain weather briefings and file flight plans, without assistance from FSS specialists. FAA also has two experimental systems, which have been operating successfully. The Meteorotogical and Aeronautical Presentation System (MAPS) is in operation in Leesburg, Virginia, and the Aviation Weather and Notice to Airman System (AWANS) is installed in the Atlanta and Indianapolis FSSs. These systems provide FSSs with the same capability as the proposed Model 1. FSS specialists using these systems state they work efficiently and effectively. In addition, according to FSS specialists, the Model 2 graphic displays on small video screens will not be as clear as weather maps currently available, and only marginal improvement in information will be obtained from a planned FSS computer graphics capability because weather patterns change very little in a few hours. Explain why both AWANS and MAPS, which have been developed, and perform the same functions, have apparently been ignored in favor of Model 1 and Model 2? What can Models 1 and 2 do that AWANS and MAPS cannot?

Response: AWANS and MAPS were developed in the early 1970's as prototype FSS automation systems. As such, the specific purpose of both was to determine the feasibility of automation in the FSS system. The design of AWANS and of MAPS was structured to address specific functions within the FSS, however, neither one satisfactorily performs the total FSS operational requirements.

AWANS and MAPS are one-of-a-kind systems, using equipment that is no longer built or supported by the manufacturer. The technology employed is no longer state-of-the-art. Moreover, they do not include the features required for national deployment or long term maintenance and support.

Senator Andrews: Have any comparative studies been performed on the prototype systems in place versus Models 1 and 2? If so, what were the results?

Response: Due to the magnitude of difference between the technology employed in MAPS and AWANS and existing off-the-shelf equipment, the two prototypes were never considered to be viable alternatives for the national program. These differences include system expandability, the size of memory, the type of software language, as well as the ease of maintenance of both hardware and software.

Senator Andrews: What was the basis of FAA's decision that AWANS and/or MAPS would not satisfy FSS operational requirements?

Response: The 61 AFSS configuration requires a fault tolerant design with automatic reconfiguration to insure continued availability and reliability. In addition, the baseline system must

accommodate expansion (without replacement of main computers) for planned enhancements such as user direct access via computer terminals and a computer generated voice response system. These capabilities, in addition to the overall FSS specialist requirements and the system response time necessary to meet projected demand, exceeded the capabilities and capacities of the two prototypes.

Senator Andrews: Why hasn't FAA included in its plan, as an alternative to computer graphics, a relatively inexpensive radar weather display requiring no development which is favored by FSS operators? This system would require only a line to the nearest National Weather Service facility, would provide a display similar to that used on local television stations, and would, in the opinion of FSS operators, significantly improve safety.

Response: The Model 2 Flight Service Automation System (FSAS) provides a graphic display capability which includes weather charts and the weather radar data from FAA and National Weather Service facilities. The monitor used to display all required graphics is an integral part of FSAS, thereby reducing the cost of operational proficiency, maintenance and logistics.

STAFFING FOR AUTOMATED FSS'S

Senator Andrews: There are presently about 4,600 specialists employed at the 300 existing FSS's. FAA is telling local communities that the new facilities will employ 80 to 100 people each, totaling community would benefit from the Federal payroll associated with the facility. This benefit would greatly exceed the cost to the community of providing a building for 20 years for FSS use. However, FAA has told Congress that the FSS automation program will require approximately 1,900 to 3,000 specialists, an average of 30 tO 50 employees at each FSS, and will save the Federal Government $1.5 billion, primarily through savings in personnel costs. What is the basis for FAA's staffing estimates and why is there as much as a 250 percent difference in FAA's staffing estimates as presented to Congress versus those provided local communities?

Response: A typical automated flight service station will be staffed by approximately 50 employees when commissioned and increase to 80 when consolidation of the surrounding flight service stations is complete. Staffing will range from approximately 30 employees when commissioned at the smaller facilities to 95 in the largest. The staffing will depend on the activity in the flight plan area. For example, we anticipate 35 employees at the facility that will serve North Dakota when commissioned and about 45 when consolidation is complete, whereas the south Florida facility at Miami will be commissioned with about 95 employees and increase to about 125 when consolidation is complete. During the "Solicitation for Offers" meeting, our regional office personnel are informing the local community representatives of the number of employees their community can expect.

With increased usage, by pilots, of voice response systems and our Mass weather dissemination programs plus the consolidation of the manual flight service stations and the conversion to solid-state equipment, our staffing requirements will decrease gradually until the year 2000 when we will require approximately 2300 employees at the automated flight service stations. An average of 38 employees per facility.

COMPUTER CAPACITY

Senator Andrews: During system design competition and prior to contract award, FAA became aware that the computer its contractor proposed to use was unable to handle projected volumes of data communications. However, FAA awarded a production contract for this computer. FAA modified the contract six months later to upgrade the capability of the computer which resulted in a one-year delay and added costs of $5 million. Why did FAA buy computers when it knew beforehand that they would be incapable of meeting projected needs?

Response: The selected computers for FSAS applications were proposed and tested by all three contractors during design verification because of the equipment's broad range of expandibility and its extensive features of fail safe/fail soft non-stop operation. The particular technical area in question focuses on the operating system provided with the originally bid equipment, which constrained the number of communication lines handled by each computer. This shortcoming was determined as a result of the testing specified by the Government in the Design Verification Phase. Since all the basic features and advantages of the proposed equipment remained valid after testing, the contractors recommended staying with the designated equipment, and proposed solutions to eliminate any constraints on the system. The correction to the problem was identified, with cost budgetary estimates given by both remaining contractors during the competitive phase. Corrective actions/costs for both contractors were equivalent. Since the basic capabilities required for successful FSAS implementation did exist in the computers, the FAA determined that the most cost effective and timely direction was to award the procurement and subsequently modify the contract to incorporate necessary changes. The upgrade did not have a 1 year impact but rather a 3-½ month delay in the first Model 1 system, and no schedule impact on Model 2. Later Model 1 deliveries were to return to the original delivery schedule. Cost for the modification was $5.7M.

Senator Andrews: Part of FAA's rationale for awarding the system production contract was to draw on the experience gained by its prime contractor (E-Systems) during the development of AWANS. The prime contractor subcontracted with Systems Development Corporation (SDC) for the software design and programming. E-Systems did not have a plant representative at SDC or make regular visits to monitor SDC's work. Although SDC encountered many problems, very optimistic progress reports were submitted. Because of the severity of the problems, E-Systems recently terminated the contract with SDC. System delivery has been delayed by one year and costs have increased by $7 million because of software problems. Why was E-Systems monitoring of SDC so lax on such an important part of the system?

Response: E-Systems monitored SDC quite closely during the early months of the subcontract. Several key E-Systems personnel were resident at SDC for an initial two month period to assure continuity of any Model 1 design work previously accomplished at E-Systems. A resident contract coordinator was placed at SDC within 2 months after contract award. Regular E-Systems/SDC reviews were held on a monthly basis. Despite repeated assureness to the FAA, these actions, in retrospect, were not enough for E-Systems to maintain indepth awareness of the quality and completeness of the design effort. Some information provided to E-Systems by SDC during the effort was not an accurate representation of the actual status. After this situation was discovered, E-Systems substantially increased their SDC surveillance activities. It is the FAA's determination that until E-Systems became aware of inaccurate status reporting, they relied heavily on the excellent reputation of SDC to develop a quality product and perform in an effective/timely manner. That reliance appeared to contribute significantly to the delays encountered in identifying the depth of the problems in existence at SDC and the application of appropriate corrective actions.

Senator Andrews: Why did SDC encounter such severe problems and why wasn't E-Systems notified in a timely manner?

Response: SDC fell behind in the early design process in attempts to maximize the utilization of code developed in Phase I. Design schedules became increasingly compressed. Severe problems developed when the logical, sequential design process was abandoned and critical design activities began occurring in parallel. SDC status reports to E-Systems did not accurately depict progress and E-Systems did not have adequate in-depth surveillance on-site. Until a key design document failed to be delivered, E-Systems was unaware that these problems may have been severe. In fact, the depth of SDC problems was not fully realized by E-Systems until an FAA on-site audit was accomplished. Lack of timely awareness resulted from ineffective management both at SDC and E-Systems.

Senator Andrews: Why was FAA's monitoring of E-Systems so lax to allow almost a year to pass before it became aware of SDC's problems?

Response: The FAA became aware within 4 months that design progress was falling behind. At that time FAA met with SDC and E-Systems, accomplished a detailed preliminary design review and assured that all areas that needed correction or additional work were identified. Delivery of the detailed design data 7 months after contract award would demonstrate if the design was complete and of high quality. Continuously during that period, technical exchanges took place, and E-Systems/SDC reported good progress. They indicated that a high quality, complete design would be submitted on time. When the design data required was not delivered on schedule, the FAA immediately initiated strong and positive corrective actions. Various levels of corrective actions, eventually leading to termination of the subcontractor took place during the following months.

The FAA's monitoring of E-Systems was not lax. FAA became aware of problems very early, and took appropriate actions to assure the contractor knew what was required to accomplish the design. When severe management problems did surface, the FAA assured that during each period of corrective action, the contractor was provided reasonable time to demonstrate that his corrective actions were effective and, in cases where they were not, additional corrective actions were sought. Since the termination of the subcontractor, the FAA established detailed, verifible milestones on a monthly basis, to track the software effort of E-Systems.

From a general viewpoint, progress monitoring of software development is particularly difficult during the early design phase. FAA made assessments of progress at 3-4 month intervals based on delivery of key design documents. Such periodic assessments of a multi-year effort does result in fine grain monitoring. We believe the FAA was able to identify problems early, took appropriate actions and allowed the contractor a reasonable amount of time to implement a program recovery plan. Since the basic problems were of a management rather than technical nature, corrective actions were evolutionary in their effectiveness.

LOCATION OF AUTOMATED FSS's

Senator Andrews: FAA originally planned to locate automated FSS's where the greatest demand for flight services existed. Currently, FAA plans to have local communities bid for providing the necessary buildings. Most of the 10 FSS locations selected to date are in communities that do not have the highest demands for FSS services. This will result in many users of FSS's making long distance calls if they use the service. Will FAA provide toll-free service to users as it now does?

Response: Seventeen new automated FSS sites have been identified to date. General aviation activity at airports is but one of several selection criteria, however, the bottom line is the overall cost to the U.S. taxpayer. With regard to the level of service to be provided, we are committed to assure at least an equal level of service from the new facility on the most cost effective basis. This includes the type of telephone service.

Senator Andrews: Has FAA estimated the cost of such toll-free service as opposed to estimated savings from the low-cost buildings it is obtaining?

Response: The cost analysis initially prepared in 1977 and updated in 1979 determined that automation/consolidation was a cost effective solution to the FSS dilemma. We are in the process of fine tuning those analyses to accurately reflect the impact of revised communications rate structures including toll-free service.

Senator Andrews: Do cost estimates provide for anticipated future increases in communications costs?

Response: The ongoing analyses will reflect appropriate rate structures.

Senator Andrews: If FAA decides to charge users for calls, have you attempted to evaluate whether this would discourage pilots from filing flight plans and obtaining weather briefings?

Response: We do not propose any change in the level of services currently available to the pilot.

FSS AUTOMATION OBLIGATIONS

Senator Andrews: How much have you obligated to date for FSS modernization, what are your estimated facilities and equipment obligations for the balance of this fiscal year and your estimated F&E obligations for fiscal year 1984 and subsequent years?

Response: The funds obligated to date for this program are $151.78M. We expect to obligate an additional $23.9M by the end of this fiscal year.

Our plans require the obligation of approximately $62M during fiscal year 1984, including the cost effective FSS closures outlined in our request.

Our out-year obligations will be consistent with our requirements as outlined in the NAS Plan.

Senator Andrews: In discussing this program GAO reports that your planned automated services will require pilots to use either computer terminals, which cost a few hundred dollars, or touch tone telephones, which will require approximately 100 keystrokes to enter flight plans. The GAO questions whether you have adequately demonstrated that general aviation pilots will actually use the automated services. What are your estimates on usage by general aviation pilots and on what are these estimates based?

Response: Pilot usage of direct user access is an important aspect of the effectiveness of the Flight Service Automation System (FSAS). The FAA has conducted evaluations and demonstrations including ongoing operational tests in Washington, D.C. and Columbus, Ohio to gather data on user acceptance of the concepts and to further define the applications of various levels of automation. We expect 70% of FSAS demand will be satisfied through direct access devices with approximately 40% accomplished via terminals and 30% satisfied through Voice Response System (VRS). These percentages are based on engineering estimates and operational considerations regarding the capabilities of each mode of access. For example, pilot access by terminals, even non-graphics devices, can provide all data necessary for a complete briefing and flight plan filing. VRS on the other hand can provide

sufficient data for Visual Flight Rules, local and some itinerate briefings and has been demonstrated to reduce the time a pilot must spend with a specialist. These utilization concepts have been combined with data available from the existing system and formulated into engineering estimates. For example at FSSs where a transcribed broadcast today is kept current and contains all the products necessary for local briefing, in excess of 90% of local briefings are provided by recordings and not by specialists. Since VRS will automatically generate these messages in 1995, we assume very high percentages of these type of briefings will be provided by VRS.

The FAA is interested in refining these numbers. We expect to initiate some efforts in the next year to further investigate such questions as projected terminal availability/cost and to further assess the user acceptance question; not to determine if direct access can be successfully deployed but rather to determine what actions need to be accomplished as the concept is developed and deployed, such as user awareness, weather education, etc.; to assure a successful implementation resulting in high user acceptance.

NEXT GENERATION WEATHER RADAR

Senator Andrews: The Next Generation Weather Radar (NEXRAD) Program is an effort by the Departments of Commerce, Defense, and Transportation to acquire for their joint use new weather radars using Doppler radar and computer technology. Doppler radars add the capability to detect wind velocity and movement. Using computer technology, data from a single Doppler radar will be used at several locations. Although the National Weather Service (NWS) has primary nationwide responsibility for issuing warnings and forecasts, the Departments of Defense (DOD) and Transportation (DOT) also have weather-related missions. Within DOT, weather information is needed by the Federal Aviation Administration (FAA) to satisfactorily carry out its air traffic control and aircraft safety responsibilities. FAA needs to warn both low flying aircraft near airport terminals and en route aircraft of weather conditions at higher altitudes. FAA does not operate any weather radars; it obtains its weather information from its air traffic control and NWS radars. It also uses ground-based sensors and obtains reports from pilots for current weather information. Because weather conditions vary across the country, the Federal Coordinator for weather services and OMB recognized that alternatives to a Doppler radar system should be considered for parts of the United States that are less threatened by severe weather. Further, they recognized that alternatives to the Doppler network should be considered for some airports because network coverage at airports may require an excessive number of NEXRAD radars. They required development of a set of options, including a "minimum" Doppler radar network only in the highest severe storm risk areas. The NEXRAD joint program office has not assessed the varying weather conditions to identify and clearly state the weather problems in various parts of the country or all alternatives for detecting hazardous weather. Although a 1981 cost/benefit study attempted to assess the loss and damage caused by severe weather, it was limited by a lack of data on severe weather incidents and on operational losses to the military and civil aviation communities. It did not determine the weather problems in

various parts of the country or at the 70 airports expected to use NEXRAD radar data. A 1982 cost/benefit study also lacked such information. FAA believes Doppler radar capability to detect weather hazards such as severe wind downbursts, termed microbursts, is adequate justification for a national Doppler radar network. GAO believes the varying weather problems should be assessed in order to (1) quantify potential benefits to the aviation community, (2) define alternatives; and (3) assess a full set of options. To what extent has FAA evaluated the weather problems in various parts of the country and at each airport?

Response: FAA sponsored measurements indicated presence of hazardous downburst activity in at least several areas of the U.S.; additional measurements are planned to substantiate our belief in their widespread and frequent occurrence and that there is no geographic area safe from these phenomena. These measurements will be provided through cooperative work with the Universities of North Dakota, Chicago, and MIT. The NTSB has determined that the July 9, 1982, crash of Pan American World Airways Flight 759 at New Orleans International Airport was due to severe weather, primarily microburst/downburst activity. They further stated, that "Had Doppler weather radar been in use at New Orleans International Airport on July 9, 1982, the crash of Pan American Flight 759 might have been prevented."

Senator Andrews: What is FAA doing to improve the data base of weather problems and operational losses at each airport in order to justify NEXRAD radars?

Response: The FAA has collected and will be collecting additional Doppler weather radar data in Colorado, Oklahoma, New Jersey, Massachusetts, and a site to be selected in the southeast U.S. This data base representing different geographical areas will be used to assure that NEXRAD algorithms will not be regionally biased and will improve the data base of associated weather problems. Delay and accident operational loss data already exists in FAA and NTSB and are available for use in justifying NEXRAD radars.

Senator Andrews: What assurance is there that NEXRAD fully satisfies FAA requirements for detecting weather hazards at airports and additional radars will not be needed and procured for airports?

Response: Data collected during the summer of 1982 in the Joint Airport Weather Studies program indicate that microbursts/downbursts, posing a severe threat to aviation safety, occur with greater frequency and are shorter-lived than originally thought. Although a NEXRAD type Doppler radar can detect microburst/downburst conditions it must operate with a different scanning strategy and higher update rate than that needed to provide full volume coverage for National Weather Service, Air Force Air Weather Service, and FAA en route requirements. In order to resolve these varied requirements the FAA plans to participate in the NEXRAD procurement program to meet en route aviation weather needs and is studying the terminal requirements and the alternatives of meeting them.

Senator Andrews: The 1981 study compared life cycle costs and benefits of a NEXRAD network with mixes of Doppler and non-Doppler radars. It concluded the results were too close to call. The 1982 study compared costs, but not benefits of a NEXRAD network with mixes of Doppler and non-Doppler radars and mixes of NEXRAD and non-network radars at 12 airports and 33 military bases which would be the only user of the NEXRAD equipment. The cost advantages favored a NEXRAD network, except for non-network radars at military bases. The NEXRAD costs assumed (1) the most cost effective sharing among the three Departments of Logistics and Training and (2) no increase in operator personnel. However, the study also indicated those assumptions were unlikely to materialize. Further, the study indicated that the alternative of "off the shelf" non-network radars had little to offer to FAA except earlier availability. In addition, the study did not contain costs of a combination of non-network radars at airports and military bases or costs of a combination of non-Doppler and non-network radars with minimal numbers of NEXRAD radars. To what extent has FAA evaluated whether non-NEXRAD radars can satisfy FAA requirements at airports in the most economical way and as promptly as possible? What are the results?

Response: The FAA requirements for detection of wind shear, winds, turbulence, downbursts, microbursts, fronts, and tornadoes dictate a radar with Doppler capability. This precludes the use of any air traffic control radars for this mission.

Data collected during the Joint Airport Weather Studies (JAWS) program indicate that downbursts/microbursts pose a severe threat to aviation safety. These features can occur in precipitation free areas and therefore have very low radar signal returns. In order to detect these features a radar must have a high level of clutter suppression, high power, high transmitter stability and a large, highly capable processor. No existing radars possess these characteristics which will be incorporated in NEXRAD.

NEXRAD FUNDING

Senator Andrews: The NEXRAD program office relies on each participating Department to provide funds. Recent budget reductions and funding delays by these Departments have limited the progress of the NEXRAD program. Only $15 million of the planned $24 million is anticipated to be available for fiscal years 1982 and 1983. As a result, virtually every aspect of the prog.am has been affected. The NEXRAD program office and the participating Departments are developing, with assistance from several Federal laboratories, Doppler radar technology (Algorithms) that will be used in the NEXRAD system to detect weather hazards. Current NEXRAD program documents do not clearly identify funding commitments and support for long-term development of these algorithms. Yet, the need for continued development efforts is recognized because the initial NEXRAD system capability will not fully satisfy the needs of the participating Departments. Considering recent budget cuts, what assurance is there that FAA will adequately fund the long-term research and development of Doppler radar technology over the expected life of the NEXRAD system? What steps have been taken to ensure that needed research into mathematical algorithms and automated techniques will take place?

Response: The FAA is strongly committed to the NEXRAD program and is making a concentrated effort to provide planned required funds while at the same time accommodating overall budget limitations. The FAA has met all of its funding committments to the NEXRAD JSPO through FY 1983 and intends to continue doing so in the future as one of the three principal organizations developing NEXRAD. In addition to this substantial expenditure invested in the joint effort and planned future continuing support, the FAA is undertaking aviation research and development projects related to hazardous weather detection. Such organizations as the National Severe Storms Laboratory (NSSL), Lincoln Laboratory, National Center for Atmospheric Research (NCAR), MITRE and various universities are engaged in FAA supported multi-year efforts to characterize aviation weather hazards and develop appropriate NEXRAD algorithms for their automatic detection.

Senator Andrews: What steps have been taken to ensure that NEXRAD program management and support activities (such as test and evaluation, logistics support, and training) will take place?

Response: The NEXRAD program is directed by the NEXRAD Program Council (NPC) which is chaired by the Federal Coordinator for Meteorological Services and Supporting Research and whose members represent the three participating Departments at high level positions of responsibility and authority. The Joint System Program Office, JSPO, representing the same Departments, has been established to execute the development and deployment of NEXRAD. The JSPO also has the responsibility for, and has initiated action to obtain the necessary support activities required for successful installation, use and maintenance of these radars. Planning already has begun for establishing coordinated T&E, common logistics support and common training to the largest extent possible. Additionally, within the FAA, the Deputy Associate Administrator for Engineering, Mr. Neal A. Blake, has been designated to oversee the recently created FAA Weather Coordination Program Office. This office will serve as a focal point for all weather programs within FAA and also coordinate agency activities with the Departments of Commerce and Defense, and the users.

FAA MANAGEMENT OF MAJOR ACQUISITIONS

Senator Andrews: According to a recent GAO draft report submitted by the Secretary for comment, FAA, in its system acquisition process, has not implemented policies and procedures to manage the test and evaluation function or to adequately ensure its independence. Although FAA apparently recognizes the need to conduct test and evaluation in support of key decision points, little specific guidance is available on how personnel responsible for testing should plan and conduct test and evaluation and report its results. We understand FAA is making several changes and planning others to improve its acquisition management. Has FAA developed formal policies and procedures to improve the management of the test and evaluation process? If not, when will it be accomplished?

Response: The FAA has developed the formal policies and procedures to improve management of the test and evaluation process. An initial draft of these changes has been coordinated within the agency and the formal document is in final preparation.

Senator Andrews: Has FAA established the independent group that it plans to review and comment on the adequacy of test plans, test conduct, and test reports?

Response: Yes, an Operational Test and Evaluation Staff has been established which reports directly to the Deputy Administrator.

Senator Andrews: In their draft report, GAO also stated that a need exists to independently monitor and review the results of system developmental test and evaluation to identify potential problems that need to be resolved early in the acquisition process. This monitoring is necessary to assure minimal carry-over of such problems to the operational test and evaluation phase, and eventually to system production and deployment. What specific actions has FAA taken in identifying and resolving problems during the developmental phase of the acquisition process?

Response: During the development phases of any critical major system, an independent staff will review test plans, test criteria, test results, and validate that specified operational requirements are being met. This will ensure that adequate tests are performed and that any problems are identified and action taken to resolve them.

TCAS and CABIN-FIRE SAFETY PROGRAMS

Senator Andrews: The GAO found that in two of FAA's programs - Traffic Alert and Collision Avoidance Systems (TCAS) and Cabin-Fire Safety - FAA did not adequately analyze cost/benefit factors because potential benefits were difficult to determine and because FAA believes factors other than cost are sometimes more important. GAO believes that because of the magnitude of user investments and uncertainty of benefits, economic analyses should be performed. In a third program - anti-misting fuel - GAO believes the results of a cost/benefit analaysis are significant enough to warrant immediate top level consideration of the economic feasibility of using anti-misting additive in kerosene fuel. What action has FAA taken or plans to take regarding the assessment of the economic viability of TCAS and Cabin Fire Safety Programs?

Response: The TCAS concept provides a range of user options to obtain collision avoidance protection. The different options have different levels of cost associated with the users desire for protection.

GAO's concerns with our Cabin Fire Safety program becomes rather difficult inasmuch as it is fully responsive to the SAFER Committee's findings and to the directives of several Committees of the Congress. As in all of our programs we are concerned with cost versus benefit considerations. In those efforts that are more in the research category we must continue the work to endeavor to find both technical and economic solutions.

Our research efforts on anti-misting kerosene have to date indicated that for about 3 percent increase on the cost of a passenger ticket this extra protection could be provided. At this time other alternative chemical additives are about to become available which have the potential to reduce the cost of the additive below 3 percent. At any rate this is a research program, at the present time every technical obstacle has been addressed and successfully resolved. We will continue the program, ascertain if the alternative additives reduce the costs and then will decide if 3 percent or some other cost is reasonable for the safety to be provided.

Senator Andrews: In light of the questions raised regarding the cost and benefits to be derived from the antimisting program, does FAA plan to reassess the need for the program in the near future? If not, why not?

Response: The antimisting program is designed to demonstrate the handling of the FM-9 fuel through laboratory, scale, and full flight testing in an aircraft and engine fuel systems that are representative of current day systems.

At the present time and without any modification or improvement to any of the engine systems, a maximum penalty of 0.5 percent increase in fuel consumption is estimated. Analysis of preliminary benefit/cost information presently in hand indicates a maximum increase in ticket prices to accommodate this safety addition.

When full data is available in late 1984, a reassessment will be made to provide a better definition of costs and benefits.

It must be noted that the FAA program is to demonstrate that the concept of antimisting kerosene is possible. Industry involvement through competition is expected to produce better products at lower costs.

9020 COMPUTER REPLACEMENTS

Senator Andrews: Your selected course of action to replace its current 9020 computers will be carried out in two phases. The first phase is the Design Demonstration Competition Phase and the second is the Computer Acquisition Phase. In Phase One, a maximum of two contractors will be selected. Each is required to deliver a computer system to FAA's Technical Center. The contractors will demonstrate a capability to meet all functional requirements including the ability to run the current 9020 software in a simulated en route environment. Each contractor will be required to demonstrate the interfaces and data exchange protocols with current system elements, the functioning of its computer with the current display channel computers, automatic failure recovery and processor capacity tests. Recognizing that schedules do not always go as planned, and I cite your announced seven month delay in the Host replacement, how does the FAA plan to handle the following events which may occur during the demonstration phase:

one or both contractors do not complete the tests; one contractor drops out; one or both contractors exceed the funding level and have nearly completed all the tests; one or both contractors fail the demonstration completely or partially; and neither of completes all the tests?

Response: The FAA has given serious thought to all the contingencies mentioned in your question. We are confident that our approach to procuring the Host Computer System results in a near-zero chance that any of the "events" in your question will actually occur. Our confidence stems from two important considerations: (1) The extensive analysis that we and our support contractors have performed to model and estimate the required time to complete the software rehosting; and (2) The quality of the proposals received from the two outstanding industry teams who are competing for the Design Competition Phase awards. We are confident that our current Host Computer System schedule will result in the timely replacement of our old computers.

NAS PLAN SLIPPAGES

Senator Andrews: At a previous hearing you indicated that the NAS Plan is basically on schedule. However, the Committee has heard of contract slippages including advanced automation. How serious is this slipplage and how does it impact your funding requirements? Which major contracts have been awarded on schedule in FY 1982, and during the first six months of this fiscal year?

Response: Yes, there have been some minor slippages in some of our programs. Our problems centered primarily in starting up times--we were a little optimistic. The slippages were mainly a matter of months which tend to be viewed as somewhat larger when milestones cross from one fiscal year to the next. Overall, there are no significant program slippages and by adjustments the funding profiles for the plan have not been impacted.

The major procurements awarded in FY 1982 are: DARC Enhancements, Communications Transmitters and Receivers, National Automated Data Interchange Networks - 1A, Flight Service Automated System, Beacon 5 foot Open Array Antennas, Remote Maintenance Monitoring, Maintenance Processor Subsystem, and the Second Generation VORTAC, FY-82 Increment.

The major procurements awarded during the first six months of FY 1983 were: Flight Service Station Consoles, ARTS-II Systems, Automatic Weather Observation System, DARC Enhancements, Second Generation VORTAC, FY-83 Increment, Flight Service Automated System, ARTS-II Enhancements, and Communications Transmitters and Receivers.

FDEP EQUIPMENT

Senator Andrews: You are currently replacing the existing flight data entry and printout (FDEP) equipment at terminal approach control facilities and flight strip printers at the en route centers with Flight Data Input/Output (FDIO) equipment. The need to replace this equipment was identified more than five years ago and numerous delays have been encountered in the replacement program. Provide the final implementation schedule, by site and date, for the FDIO equipment.

Response: The Air Route Traffic Control Centers exercise control jurisdiction over a delegated block of airspace and are being provided with automated flight strip printing capabilities under this program. These centers serve as data collection hubs from the 319 terminal locations now qualified to receive FDIO equipment. 205 of these terminals are currently equipped with the older and slower (speed) FDEP equipments installed during the second half of the 1960 decade.

Final implementation of this program depends on the operational readiness of the ARTCCs to collect,disseminate and distribute the enormous volume of flight data flowing through the network to the intended destination of each en route flight. The following implementation schedule for the automated ARTCCs, FAA Academy, and the FAA Technical Center will describe the overall implementation of this program.

IMPLEMENTATION SCHEDULE

Center		Date	Center		Date
FAA Technical Center	NJ	9/84	Cleveland	OH	10/85
FAA Academy	OK	10/84	Indianapolis	IN	11/85
Albuquerque	NM	12/84	Chicago	IL	12/85
Ft. Worth	TX	12/84	Minneapolis	MN	2/86
Houston	TX	1/85	Kansas City	KS	3/86
Memphis	TN	2/85	Denver	CO	3/86
Atlanta	GA	3/85	Salt Lake City	UT	3/86
Jacksonville	FL	5/85	Seattle	WA	4/86
Miami	FL	5/85	Oakland	CA	4/86
Washington	DC	6/85	Los Angeles	CA	5/86
New York	NY	7/85	Honolulu	HI	12/86
Boston	MA	9/85	Anchorage	AK	3/87

ACF

Senator Andrews: One of the objectives in the NAS Plan is to consolidate en route and terminal facilities, with most hardware and software elements identical. You hope to achieve substantial productivity gains and reduce operational costs by consolidating more than 200 centers and terminals to 40. We noted in the GAO report that FAA has introduced a different concept for consolidation called the Area Control Facility (ACF) which you did not mention in last years' hearings. Please explain how the ACF differs from consolidation efforts spelled out in the NAS Plan. What is the status on your implementation of ACF? What was the criteria for selecting ACF over previous consolidation methodology?

What en route centers, terminals, and towers will be eliminated by ACF? How will the functions of these facilities be combined. How many personnel will be relocated or displaced? Where will the ACF's be established and how many? Please provide the cost/ benefit analysis for the ACF approach.

Response: The plan now envisions, during the 1990's an evolution from todays mix of terminal and en route radar control facilities into 23 area control facilities (ACF's). Airport traffic control towers will continue to exist, but the terminal radar control function now performed in TRACON's will be transferred to ACF's. Each ACF will be configured based primarily on traffic through large geographic areas. The distinction between "en route" and "terminal" control will be eliminated, and the function of radar control will be performed by the ACF.

The ACF's will be implemented in conjunction with the implementation of the advanced automation system in the early 1990's. ACF's were selected to provide more efficient use of airspace, increase productivity of air traffic and airway facilities personnel and absorb growth through consolidation of air traffic control facilities while maximizing the utility of advanced automation. Control towers will remain at locations that qualify for airport traffic control service. All approach control functions, radar and nonradar, will be transferred to the ACF's. En route control and terminal radar approach control functions will be combined into one facility. New computers, software programs and displays will be capable of providing both en route and terminal services. We estimate that approximately 3,200 personnel will be impacted. However, we do not anticipate the actual personnel moves will ever reach this number because of attrition. There will be 21 ACF's in the continental U.S., 1 in Alaska and 1 in Hawaii. All center buildings are being evaluated for ACF's. The cost savings over previous hub consolidation and center consolidation plans is estimated to be $590 million.

FALLBACK OPTIONS ON 9020's

Senator Andrews: In its report, GAO found compelling reasons why FAA's rejection of the 9020A to D alternative as a near term solution for upgrading centers with capacity problems was appropriate. They found that (1) FAA's cost analysis was based on 1977 cost data and thus are no indication of actual costs, and (2) IBM would only reestablish its engineering and production facilities to upgrade the 9020's in response to a national emergency. The impracticality of the 9020A to D solution also affects your plans to use it as a fallback option if the host computer replacements are delayed. Under these conditions, what are your plans for a fallaback option in the event further delays are incurred or capacity problems become critical before the projected mid 1980's? Please provide the rationale, costs and milestones schedule for your fallback options.

Response: Based on analytical studies that we performed since last year's testimony we are highly confident of the success of the Host program. Therefore, we are not planning fallback options. After seeing the two proposals which we have received for off-the-shelf computers of the next generation it is clear that we do not have a risk problem.

HOST COMPUTER REPLACEMENT DEMONSTRATION

Senator Andrews: In its report GAO notes that the FAA has taken several actions to facilitate its Host Computer Replacement. They also agree that a demonstration to validate contractor performance may be warranted as desirable feature. In discussing the type of contract that the FAA is using for the computer demonstration phase, GAO points out that there is opportunity for the FAA to lower its acquisition costs. For the Host replacement demonstration phase the FAA is using a cost-plus-a-fixed-fee contract and will fund two contractors ($34 million to each) to modify the existing software and demonstrate that the software can be processed on the computer proposed by each contractor. Cost-plus a-fixed fee type contracts place the cost or maximum performance risk on the Government with the contractor receiving a guaranteed fee. Officials of the Advanced Automation Office stated that the current software is the driving force and the means to the end--acquiring computers to run it--and only by continuing to use it can FAA have confidence that the replacement computer will continue to safely support all travel. FAA contract officials said they considered other contractual alternatives besides the cost-plus-a-fixed-fee method but found them to be incompatible with FAA needs. Alternatives included (1) a firm fixed-price contract, and (2) cost sharing arrangements. A firm fixed-price contract was rejected because the system's specifications could not be sufficiently defined. These officials also stated that use of a cost-sharing contract was considered but not fully analyzed. It was deemed inappropriate because of the lack of commercial application of the product developed (commercial application was interpreted as only the U.S. market). The GAO recommended that the FAA fully analyze and evaluate the appropriateness and cost/benefits of a firm fixed-price, cost-sharing, and cost-plus-a-fixed-fee contract for the computer demonstration, and report the results of this analysis to the Department of Transportation Acquisition Executive for determination of the most appropriate contract method before awarding the demonstration contract. Has FAA fully analyzed and evaluated the appropriateness of the other types of contracts? What were the results of this effort? How thorough was the analysis and evaluation? Explain the cost differences that were identified?

Response: The FAA has fully analyzed and evaluated alternate computer demonstration contract approaches to determine the one most appropriate. The following discussion describes the context within which this evaluation was performed and presents the conclusions reached and the basis for them.

CONTEXT OF CONTRACTING EVALUATION

Priorities established by the FAA as a basis for selecting the most appropriate contracting approach are the schedule, technical, and cost risks shall be minimized. Because of the nature of this program and its relationship to the Air Traffic Control System, there are unique features associated with each category of risk.

Minimizing schedule risk has highest priority. Because growth in air traffic is expected to saturate the capacity of Air Traffic Control System computers to handle traffic demands in some sections of U.S. airspace by 1986, it is essential that new computers with enhanced capacity be installed and operating by that time. Failure to meet this date can seriously restrict the volume of air traffic, which would reflect adversely on business and the national economy.

Minimizing technical risk is next in importance. The principal technical risk lies in successful development of a system that will operate with a high level of availability, which means minimum down time due to failures. The fundamental development task in providing such a system is design of automatic error detection and reconfiguration software to make the Host computer with 9020 software a high availability system. High availability is necessary for continued safe and efficient operation of the Air Traffic Control System.

Finally, it is important that cost risk for implementation of the computer system be minimized. This entails taking those steps, including selection of the contracting approach, which will minimize the computer system development, demonstration, and acquisition cost within constraints imposed by the needs stated above for minimum schedule and technical risk.

Conclusions reached in evaluating Host Computer System contract alternatives and the basis for them are presented in the discussion that follows.

FIRM-FIXED-PRICE CONTRACT

The fixed-price contracting approach imposes unacceptable risks and is considered inappropriate for the development aspect of the work involved in this situation. Although system performance specifications are defined in general terms in the Requirements Document that is part of the RFP package, there are unknowns in the design of system software. Principal among these is the design for automatic error detection and reconfiguration software that will ensure high system availability.

First, fixed-price contracting is not considered appropriate for the development work, whether a single or multiple contracts are awarded. Fixed-price contracting is normally used under conditions that include: 1) prior purchase experience for the same or similar services, 2) possible identification and costing of uncertainties in performance, and 3) willingness of contractors to accept a contract at a level which causes them to take all financial risk. It is appropriate, and so planned, to fix-price those elements of the development phase activity where no schedule, technical, or cost risk exist. This includes all standard ADPE products to be furnished by the contractor. However, it is conventional for the Government to accept the financial risk for new and unique development effort where technical unknowns exist, such as development of the software conversion package in this instance.

Further, it should also be noted that a single or multiple fixed-price contracts be awarded for the development phase, there is no assurance that technically qualified contractors submitting the lowest bids would be capable of developing the needed software for the complete system in time for system implementation at the en route centers by 1986 when it is needed. Further, there was concern that the fixed-price approach would encourage a "buy-in" by a contractor. A contractor not fully understanding the difficulty of the software conversion might be most likely to underprice the job. A likely result would be delayed delivery of an inferior product.

In view of the above factors, the fixed-price approach was rejected as being inappropriate as well as introducing an unacceptable level of schedule and technical risk.

COST-SHARING CONTRACT

The cost-sharing approach seems inappropriate for this type of procurement. This method of contracting is conventionally used when a new product is to be created that can have mutual benefit to both the Government and the contractor. For this job existing hardware will be used and software will be developed in a system integration design effort that has unique applicability to the FAA Air Traffic Control System. Further, it would be inappropriate to use this contracting approach unless there was a known market for the integrated computer/software system in the U.S. or elsewhere in the world. The FAA is the unique U.S. customer for this system. Existing software of foreign national air traffic control systems is such that the system would not be applicable to them. In view of the above factors, the cost-sharing approach was rejected as being inappropriate.

COST-TYPE INCENTIVIZED CONTRACT

The cost-type incentivized competitive contract approach for computer system development has several attractive features. First and foremost, it permits validation of the contractor's ability to design an integrated computer/software system that can effectively host the existing NAS 9020 software prior to a Government commitment for system procurement. This approach also achieves industry competition for the follow-on system procurement. The ability to validate contractor capability will provide confidence that the system can be delivered on schedule and will meet performance requirements. Maintaining competition through the development phase provides an opportunity to select the technically best system and one that can provide a high level of ATC System availability. Equally important, maintaining competition also offers the potential of a lower system acquisition cost then might otherwise be obtained.

This contracting approach also encourages responsible assessment and management of risk by the contractor and rewards him for cost reductions and overall excellence in technical and management performance. Further, the future prospect of a large acquisition contract will provide further contractor incentive to develop the best and most cost effective system.

Performance factors to be assessed are technical performance, schedule performance, project management performance, and risk management performance. The cost incentive will be added to or subtracted from the award fee at the completion of the contract in the event the contractor underruns or overruns the target cost. This adjustment will be made in accordance with the Government/contractor share ratio agreed to in the contract. The overall effect of this fee structure is to guarantee a small base fee, and provide the opportunity for the contractor to earn, on an incentive basis, total maximum fee up to a negotiated percent of contract target cost.

Accordingly, it was concluded that of the three contracting approaches addressed herein, this approach was the only appropriate one that offered acceptable schedule and technical risk. In addition, it offers the potential for minimum total computer system implementation cost.

SELECTED CONTRACTING APPROACH

The contracting approach selected for the Host Computer System demonstration involves a combination of fixed-price, cost-plus-award-fee and cost-plus-incentive-fee. There will be a fixed price provision covering all standard ADPE products furnished. The cost reimbursable portion of the contract will contain special fee and incentive features.

The fee structure will employ a three-step approach consisting of a base fee, a unilateral performance-related award fee, and a final cost incentive fee adjustment at the completion of the contract based on a government/contractor sharing formula. The base fee will represent a small percent of the contract target cost, and will be the minimum fee paid to the contractor. In addition, the award fee, consisting of a larger fraction of contract target cost, may be earned by the contractor each quarter based on the Government's evaluation of his performance.

LOW DENSITY AIRPORT EQUIPMENT

Senator Andrews: FAA officials have stated that the computer equipment at lower density airports needs to be replaced because the safety features of computers at the busier terminal cannot be performed at the lower density airports. These features are conflict alert and minimum safe altitude warning. The FAA is upgrading its ARTS II computers to ARTS IIA capability at a cost of $12 million. Also, the TPX-42 terminal equipment is being replaced by ARTS IIA computers at a cost of $37 million. In its report, GAO found that the Air Traffic Service is preceeding with this upgrade without formalizing user needs, system workload requirements, and operational needs. This has hindered and delayed the developmental efforts and procurement activities for this safety upgrade. Please explain what actions are being taken to resolve these problems and how FAA plans to prevent such occurrences during implementation of the NAS Plan. Also, provide the Committee with your formalized analysis of user needs, system workload requirements, and operational needs.

Response: The Air Traffic Service, who in this case is the user of the system, has determined that conflict alert, mimimum safe altitude warning,and beacon tracking are automated radar traffic control safety features which are necessary for safe air traffic control operations where automated radar traffic systems exists. These safety enhancements are being provided at terminal locations where the ARTS IIA and ARTS IIIA equipments are located. The TPX-42 equipment cannot be modified to achieve satisfactory operation of these safety enhancements. For this reason FAA has requested funds for their replacement with ARTS IIA type equipment.

The system workload requirements are not a criteria for providing these safety features.

HOME-BUILT AIRCRAFT

Senator Andrews: Pilots have responded to the down economic conditions which cut the sales of general aviation aircraft by turning to home-built planes. The Experimental Aircraft Association (EAA) estimates there are more than 18,000 home-built aircraft flying regularly and perhaps another 18,000 - 20,000 under construction. How is the FAA responding to the challenge of this tremendous influx of aircraft and pilots?

Response: Before answering your question, we would like to point out that the number of home-built aircraft estimated by the EAA does not reflect the records of our aircraft registry, which shows that as of January 1983 there were 7,212 amateur-built aircraft registered. We do not know where the EAA obtained its figures.

We have completed two actions that will serve to alleviate the FAA workload in the amateur-built area, and which will at the same time provide for more timely service to the builders of such aircraft, without compromising safety. (1) An Advisory Circular (AC) was issued on April 1, 1983, that changed the FAA inspection procedures for amateur-built aircraft. The former practice was to inspect each aircraft at major stages of construction, generally 2 or 3 times per aircraft, in addition to a preflight inspection of the completed aircraft and another inspection after the aircraft successfully completed operation in a designated flight test area. The AC, which was published in the Federal Register, with 97 percent of 822 total public comments in favor of the proposal, reduces the number of inspections to one conducted prior to flight of the completed aircraft in a designated flight test area. Amateur builders are encouraged in the AC to seek guidance in construction techniques and obtain inspections from knowledgeable persons, such as designees of the EAA or licensed aircraft mechanics, and to keep detailed records of construction, with photographs, as back-up to the single FAA preflight inspection now required. Implementation of the AC will also enable more efficient use of FAA resources, as well as eliminate delays formerly experienced by builders when FAA inspectors could not schedule timely inspections. (2) Federal Aviation Regulations Part 183, which deals with Designated Representatives of the Administrator, has

been amended, effective May 16, 1983, to establish a new category of FAA designee, called a Designated Airworthiness Representative (DAR). Among the functions that may be delegated to qualified candidates under this new rule is the inspection of amateur-built aircraft and the subsequent issuance of the experimental airworthiness certificates for such aircraft. When this program gets underway, it will even further reduce the involvement of FAA inspectors in the certification of amateur-built aircraft.

Senator Andrews: Document for the record the projected growth of home-built aircraft in this country for the next five years (FY 1983 through FY 1987).

Response: Statistics from our Aircraft Registry show that from the end of Calendar Year 1978 to October of 1982 the number of amateur-built aircraft registered increased by 954 - from 6,211 to 7,165. The figures from January 1981 to October 1982 show a decrease - from 7,453 to 7,165. Based on these data, we estimate that the projected growth of home-built aircraft in this country for the next five years will be 1,200 - for a total at the end of FY 1987 of 8,365.

Senator Andrews: what are the certification requirements for aircraft and pilots? What workload does this represent for the Agency?

Response: Aircraft. The FAR applicable to certification of amateur-built aircraft is section 21.191(g), "Operating Amateur-Built Aircraft." This rule is applicable to: "Operating an aircraft the major portion of which has been fabricated and assembled by persons who undertook the construction project solely for their own education or recreation." The acceptable means of compliance with the rule is in Advisory Circular 20-27C, recently amended effective April 1, 1983. The general requirements are that the builder must fabricate from raw materials more than 50 percent of the aircraft for it to qualify as amateur built. The FAA will inspect the aircraft one time, prior to operation of the aircraft in an assigned flight test area. Inspections during construction may be made by persons having experience with construction or maintenance of aircraft, such as designees of the Experimental Aircraft Association, or licensed mechanics. The workload for the agency was significantly reduced with the issuance of AC 20-27C, since prior to its issuance, the FAA inspected amateur-built aircraft 2 or 3 times during construction, at preflight, and again after completion of operation in the assigned flight test area. The effect of the AC has been to reduce the inspections from about 5 to only 1, thereby reducing FAA workload by about 80 percent. Additionally, an amendment to FAR Part 183 was recently adopted, effective May 16, 1983, which will permit appointment of qualified persons as Designated Airworthiness Representatives (DAR), who, among other things, may be authorized to inspect and certificate amateur-built aircraft. When this program gets underway, we expect that the FAA workload in the amateur-built aircraft certification area will be further reduced, and, depending on how many persons are appointed as DAR's, could consist primarily of DAR supervision.

Response: Pilots. Under FAR Sections 61.3, 61.31, and 61.87, the pilot of a home-built (experimental) aircraft must hold at least a student pilots certificate properly endorsed by a certificated flight instructor, except in the case of an aircraft with operating limitations which require the pilot to hold an appropriate category/class rating. In the latter case, the pilot must hold at least a private pilot certificate with appropriate ratings. Additionally, unless the aircraft has predominant flight characteristics of either a glider or free-balloon, the pilot must hold at least a third class Airman Medical Certificate. No substantive increase in agency workload is anticipated.

ULTRALIGHT AIRCRAFT

Senator Andrews: Federal Aviation Regulations Part 103 set weight, fuel capacity, and engine size limits for ultralight aircraft. These craft are also expected to grow in number over the next several years. What projections has the FAA prepared for the population of ultralights through FY 1987?

Response: The FAA has not prepared projections on the population of ultralights through FY 1987. The Powered Ultralight Manufacturers Association (PUMA) has reported to the FAA that 8,600 ultralights were built and sold during CY 1982.

Senator Andrews: Please explain the operational restrictions on ultralights in the vicinity of airports that serve public aviation needs.

Response: Section 103.17 of the Federal Aviation Regulations states, in pertinent part, that "no person may operate an ultralight vehicle within an airport traffic area, control zone, terminal control area, or positive control area unless that person has prior authorization from the air traffic control facility having jurisdiction over that airspace." These authorizations are only extended after a thorough analysis of the aviation safety aspects of the proposed operation. The ultralight community has been cooperative and, for the most part, few requests for authorization are received and very few unauthorized intrusions have been reported.

Senator Andrews: List the precautions that are applied to keep ultralights away from populated residential and business areas.

Response: Section 103.15 of the Federal Aviation Regulations states that "no person may operate an ultralight vehicle over any congested area of a city, town, or settlement, or over any open-air assembly of persons." The ultralight community is knowledgeable about the rule and the reasons for its promulgation. Violations are investigated and appropriate correction action is taken against operators found to be in noncompliance with the rule.

SHARED TECHNOLOGY WITH FOREIGN COUNTRIES

Senator Andrews: Seven United States, European and Japanese firms have signed a preliminary agreement to form a consortium to build a jet engine that may cost them as much as $2 billion. The engine will be designed for a new 150-passenger plane that airlines are expected to begin ordering when the industry finally pulls out of its three year slump. Does an international partnership such as this present any particular problems to the agency in certifying aircraft components?

Response: Recent experience with multinational engine programs has indicated that problems can exist, but this same experience shows they can be resolved. Working with foreign airworthiness authorities and engine manufacturers may create problems beginning with the original certification program and continue into the post certificate management phase. Typical problem areas have been:

1. The applicability of different regulations. If the airworthiness regulations are different in one particular area, which one applies?

2. Acceptability of differing airworthiness authority operating procedures or policy. This can include the use of delegations and designees or acceptance of analysis versus engine tests.

3. The accessibility of all data, including proprietary data, by all regulatory authorities.

Our experience has shown that these types of problems can be greatly reduced by detailed coordination and prior agreements, between the authorities, to define the working relationships between themselves and the consortium. The agreements should be in writing and of sufficient detail to minimize misunderstanding. Some typical items are:

1. The language to be used in official reports and correspondence.

2. The type of units to be used, metric or English.

3. Documentation of meeting and conferences.

4. Witnessing of tests and documentation of results by one authority or the other.

5. The method of granting approval.

6. Handling of service difficulties and resultant mandatory corrective actions.

The coordination process is a continuous function with frequent regularly scheduled meetings between technical specialists required to resolve problems before they become critical. It should be stated that this close coordination will require increased travel and communication (telephone and telex) costs.

As previously stated, unique problems can occur in multinational programs but they can be resolved.

Senator Andrews: Please explain why the development of an engine requires such a huge capital investment.

Response: In looking at the cost of an engine development program we must consider the time involved from conception to type certification and entry into revenue service.

A typical engine type certification program, from the application to granting the Type Certificate, typically takes at least 3 years. In this program there may be 5-10 complete engines running certification tests as well as many component or rig tests.

Certain engine tests require extremely sophisticated test instrumentation and modification of parts to attach this instrumentation. This is an extremely time-consuming task requiring highly skilled engineers and technicians. It may take several months time to assemble a fully instrumented test engine with sensitive strain gauges and thermocouples attached.

There are also several destructive certification tests (ingestion and blade containment) that are required. Experimental engines costing $2-3 million are run at extremes of speeds, temperatures and vibration. Many parts in these engines can never be used again.

Prior to FAA participation in a certification program the manufacturer may spend 5-10 years in his own development program to refine an initial design into a product that can both meet FAA certification requirement and be profitable. Part of his costs are the overhead of Research and Development, engineering staff and sophisticated test facilities.

In consideration of the above information a total cost of slightly more than $1 billion for development of a commercial turbofan engine appears reasonable.

AIRLINE FINANCES

Senator Andrews: Reports surface regularly of airlines having to make unusual financial moves to remain solvent or maintain a suitable cash-flow. Air Florida is seeking to restructure its debt. Pan American Airlines wants to sell the leasehold rights it has on terminal space at Kennedy Airport in New York. These are just two recent indications of potentially severe problems with major airlines. How does the FAA respond to these situations to be sure that operational and safety criteria are met in all cases--even for airlines having tough times?

Response: All air carriers, regardless of financial condition, are routinely inspected and surveyed to ensure compliance with the operational and safety requirements of the Federal Aviation Regulations. During this inspection and surveillance, compliance is measured against uniform standards which are not affected by the

financial conditions of air carriers. Additionally, the Civil Aeronautics Board (CAB), which is responsible for determining the financial fitness of air carriers, furnishes the FAA with reports on audits conducted on air carriers. When these reports indicate that an air carrier is financially distressed, then the FAA regional office initiates special surveillance of the air carrier to ensure compliance with safety regulations. Conversely, when routine inspection and surveillance reveals signs of financial deterioration affecting an air carrier, the CAB is notified through appropriate FAA channels.

SHIFTS IN TRAFFIC PEAKS AT AIRPORTS

Senator Andrews: Indications are that traffic flows at major airports are changing in two respects. Last August an article in Aviation Week and Space Technology spoke of a shift in operation from the normal peak hour periods at the 22 capacity restricted airports. The article also said there is a movement away from the large airports and toward medium-sized airports since the strike began. How permanent do you believe these traffic shifts will be?

Response: The Interim Plan adopted by the Federal Aviation Administration (FAA) to cope with the Air Traffic Controllers Strike placed limits on the number of arrivals during each hour at the 22 pacing airports. This reduced activity during the peak hours at these airports. As a result, many flights were scheduled at hours and at airports that were not the optimum from the airlines' point-of-view. It is expected that, as the restrictions are lifted, the schedules will eventually return to the pre-strike diurnal patterns because they are based on passenger demand, which tends to follow the ordinary work day.

Some of the shift made by airlines to medium-sized airports might become permanent. Certain small carriers and cargo operators began service at alternate airports such as Midway, Oakland, and Ontario, and might find these operations more cost-effective because of the shorter delays and lower operating costs than at the major airports. While this might produce a relatively large percentage increase at the small airports (as reported in the Aviation Week Article), it only represents a very small absolute difference in the totals. For example, operations at Midway are up 20 percent compared to pre-strike levels, but this represents only an increase of eight flights a day.

Senator Andrews: The presumption is that these changes are beneficial while strike recovery is progressing. Yet, if these trends continue they could substantially ease some of the capacity problems that have been used to justify much of the long term system modernization plan the agency is implementing. Please comment.

Response: The demand during peak hours at congested airports can be expected to return to pre-strike levels, particularly as the economy picks up and the demand for air travel returns to normal. The FAA must plan to meet ever

higher peak demands since forecasts predict an 85 percent increase in air traffic activity during the next decade. If FAA's plans for system modernization are realized it will be possible to meet the anticipated demand in the year 2000 without increasing the controller workforce.

AVIATION GROWTH

Senator Andrews: Last year we discussed the fact that FAA forecast models needed to include variables such as fuel prices, high fuel taxes, airport constraints and other strike related effects. Have the variables been used in recent FAA forecasts? What is the forecasted growth in air carriers, and general aviation activity through the year 2000 with these variables added to your model? Should the FAA revise any prior decisions based on these new forecasts?

Response: Both the FAA Air Carrier and General Aviation Forecast Models include fuel price as a variable. The latter model also incorporates the latest Administration assumptions with regard to higher general aviation fuel taxes. In addition, the February 1983 FAA Aviation Forecasts were adjusted in the short-term to account for current airport constraints and other strike related effects. These current constraints should have minimal, if any, impact on aviation activity over the long-term. General aviation aircraft operations are forecast to increase at an average annual growth rate of 3.9 percent through the year 2000, air carrier operations by 1.5 percent annually. These growth rates are similar to those shown in the 1982 National Airspace System Plan.

TCAS TESTS

Senator Andrews: According to a trade magazine article published in January 1983, an air carrier version of the Traffic Alert and Collision Avoidance System was to be flight tested by the FAA through March of this year to verify system performance. Following this evaluation, the system is to be test flown in Piedmont 727 aircraft through October 1983. Please describe the specific objectives of these tests and their results so far?

Response: The activity referred to is the evaluation of Minimum TCAS II avionics on an in-service Piedmont Boeing 727 aircraft to include the validation of avionics equipment in an FAA Boeing 727 test aircraft prior to the Piedmont installation. We now expect to deliver the avionics to Piedmont in July for an 8-month evaluation.

The objective of the evaluation is to validate operational procedures, a cockpit display configuration, and pilot training for Minimum TCAS II in the air carrier environment.

Senator Andrews: If as this article says, the general aviation version of the system, TCAS I, and TCAS II will be available for operational use by the end of FY 1984, why not take advantage of the safety aspects of air-to-air surveillance by making TCAS mandatory as soon as possible?

Response: The TCAS concept provides a broad spectrum of separation assurance capabilities ranging from minimum TCAS I through enhanced forms of TCAS II. The user community reflects a variety of needs for separation assurance that includes differences in ability to bear the costs of avionics, differences in flight rules used (VFR vs. IFR) and differences in operating environment (low density uncontrolled airspace vs. high density positive control areas). The spectrum of TCAS capabilities is intended to accommodate the broad range of user needs.

We envision that the individual user will voluntarily install TCAS avionics having the separation assurance capability appropriate to that user's needs, and that this voluntary implementation will be more effective than an implementation dictated by rules.

MODE S

Senator Andrews: Right now the FAA is only proposing that all transponders manufactured after 1986 be Mode-S. How does that ensure a timely change out of existing transponders in the fleet?

Response: Originally, mandatory carriage of beacon transponders was proposed starting in 1986. My current assessment is that overall system considerations would be better served by requiring that all beacon transponders manufactured after a specific date in 1986 be Mode-S compatible, and deferring until 1991 or 1992 the mandatory carriage of beacon transponders. If traffic population presently forecast does not occur, then carriage may not be mandatory.

This decision will provide for a reasonable match-up of ground and airborne capabilities without introducing any early special equipage requirements on the industry.

NAPRS

Senator Andrews: Please provide for the record an update of the success the FAA has had in implementing and using National Airspace Performance Reporting System (NAPRS) to monitor and document facility performance within the National Airspace System.

Response: National Airspace Performance Reporting System (NAPRS) Order 6040.15 was issued November 4, 1981. This order encompassed the incident reporting requirements contained in four (4) previous orders and established a singularly defined reporting system. Although the policy of incident reporting was issued November 4, 1981, the mechanics of reporting have lagged due to hardware/software/development/procurement delays.

Twenty-three (23) air route traffic control centers have been provided microcomputers to report performance data. The remaining hardware to complete the national system (110 field locations when complete) is in the procurement stage with deliveries to begin July 1983. All systems will be in place by August 1983 and all facilities operational by the end of 1983.

NAS performance data continues to be distributed and used according to organizational need; i.e., daily monitoring, long-term performance analysis, etc.

EMERGENCY JOBS BILL

Senator Andrews: The emergency jobs bill passed in March contains an additional $150 million to be used for airport development projects in FY 1983. This increases by 25 percent the funds available for this fiscal year. What projects are to be covered by these additional funds? For the record please estimate the number of jobs to be created by the additional appropriation.

Response: Only development projects that will generate jobs will be covered. Our regions are still formulating the specific projects to be funded with the jobs' money and the individual locations will be identified through usual congressional liaison channels as soon as the various project decisions are made.

Based on statistics developed for the highway and transit programs, we estimate that the $150 million jobs funds will result in 4,850 jobs, which include both on-site construction employment and off-site employment required for the manufacturing and transporting of construction materials.

WEATHER DEVELOPMENTS

Senator Andrews: In FY 1984 your costs of obtaining weather services from the Department of Commerce was $26.7 million. Please explain the services received. How would the President's recently voiced proposal to sell Government-owned weather satellites to private firms affect this service?

Response: The $26.7 million of aviation weather services included in this budget and estimated to be provided by the Department of Commerce include:

Area Forecasts. Issued 3 times per day in 48 states and 4 times per day in Alaska and Hawaii.

Forecast Winds and Temperature. Issued every 12 hours for 12 different altitudes.

Transcribed Weather Broadcasts. Specially prepared aviation forecasts for 331 heavily traveled flight routes and 29 local areas. Issued 3 times a day.

International Wind and Temperature Forecasts. Wind and temperature at eight different altitudes. Covers entire northern hemisphere and some portion of southern hemisphere. This data used for computer flight planning and air traffic control.

Terminal Forecasts. Issued 3 times per day for approximately 500 high activity airports.

In-Flight Weather Advisories. These are short-term unscheduled forecasts which are valid for the duration of the hazardous phenomena. There are two categories - SIGMET's and AIRMET's. SIGMET's identify weather hazardous to all aircraft regardless of size. AIRMET's are issued when adverse weather presents a hazard to light aircraft.

Surface Observations. Surface weather at airports recorded hourly and whenever significant changes occur.

Pilot Briefings. Both FAA and NWS provide pilot weather briefings. NWS provides about 5% of all pilot weather briefings.

Pursuant to the direction of the Congress last year, the DOT (FAA) and the DOC (NOAA) will report to the Committees on Appropriation financing responsibility for these aviation weather services.

It is too early to tell how the sale of Government-owned weather satellites would affect this service.

AVIATION STANDARDS INSPECTORS

Senator Andrews: Your budget for operation and maintenance in the Aviation Standards program (Pg. 108) calls for hiring 100 temporary employees who are furloughed commercial pilots. These pilots are to be used in "selected inspection activities." Later, on that same page, there is discussion of cost adjustments which include a savings of $4,216,600 because of a reduction of 111 full-time permanent positions. Are these two items consistent?

Response: Although an inconsistency may appear on the surface of the budget presentation, the increases/decreases have no relationship. The reduction of 111 full-time permanent positions reflects our continued efforts to effect greater productivity through management initiatives, i.e., field office modernization; use of designees in air carrier activities; and restructuring of the Flight Standards Field Office operations.

The requirement for 100 temporary positions will fulfill a special need and does not represent a switch in employment practices. The objective of restructuring the field offices, as mentioned above, is to save agency resources while at the same time, improve field office performance. It will be a major departure from the way district offices have conducted operations in the past. Initially, our inspectors will require extensive training and involvement with the carriers over extended periods of time to become familiar with their new duties. During the period of inspector absences from their offices, we plan to hire recently furloughed and retired industry employees at the GS 9/11/12 levels on a temporary basis to conduct selected inspector activities.

Senator Andrews: Is it reasonable to assume inspection activities will decrease in the face of increased aviation industry turmoil caused by deregulation and the uncertain national economy? Please explain.

Response: Inspection activities will not decrease while the industry continues to adjust to deregulation and an uncertain economy. While much of the impact of deregulation, in the form of new entrant air carriers, may have already occurred, a significant level of surveillance and inspection activity involving both new and old air carriers will continue to be required. An appropriate level of surveillance and inspection activity will be supported by our

efforts to increase productivity through management initiatives mentioned in previous testimony. These initiatives include field office modernization, use of designees in air carrier activities, and restructuring the Flight Standards Field Office operations. These efforts will permit us to accomplish significantly more work within the constraints of our manpower goals and resource commitments.

REGIONAL/CENTER COMPUTER PURCHASE

Senator Andrews: Your justification for headquarters administration funding includes a request for $3,873,000 for Washington headquarters to purchase and install regional/center computers. In GAO Report RCED-83-60, dated November 24, 1982, there are three deficiencies identified in FAA's planning and management of this procurement. These are (1) Workload projections do not substantiate requested processing capability, (2) Failure to benchmark can preclude acquiring less costly systems capable of satisfying requirements, and (3) Less costly alternatives have not been considered. What is your response to these findings?

Response: The requested funds are to exercise purchase options on leased equipment already acquired. In regard to GAO issues:

(1) Pre-acquisition estimates, by nature, are highly subjective. FAA and GAO had considerable differences of opinion regarding workload projections. Now that the equipment is installed and in operation, actual utilization data shows that the FAA estimates were the most accurate.

(2) FAA, as part of the competitive procurement for ADP equipment, carried out operational capability demonstrations/ benchmarks in accordance with GSA and National Bureau of Standards regulations. These tests proved, prior to contract award, that proposed equipment was capable of satisfying the specified requirements.

(3) FAA is confident that the most cost-effective alternative was selected.

Senator Andrews: What specific computers would the budgeted machine replace?

Response: None. The actual replacement of regional computers began in October 1982. The FY-84 requested funds are to exercise purchase options of the currently leased replacement equipment. The specific computers replaced were: RCA 70/35, Univac 9300 and Four Phase IV 90 replaced with a Data General MV 8000 at nine locations. Two IBM 370/155 processing units were replaced by one IMB 3081 processing unit at FAA's Aeronautical Center. In all cases except the Four Phase equipment, all replaced computers have been out of production for over ten years.

Senator Andrews: Last year this Committee approved funds for leasing a computer at the Aeronautical Center based on aviation safety considerations that were highlighted by the FAA. However, the Committee did direct that no funds will be authorized for the purchase of replacement computers for the Aeronautical Center unless the following four conditions are met.

1. Prior approval received from the appropriate committees of the Congress.

2. A comprehensive information requirement analysis, including identification and prioritization of specific software applications, is submitted in conjunction with any purchase plan.

3. A long-range plan to obtain needed computer processing and telecommunications capabilities is submitted in conjunction with the purchase request.

4. FAA submits a detailed analysis to show why the purchase is necessary in lieu of off-loading workload to other DOT (including FAA) computer facilities. This information should include a cost analysis of time sharing versus purchase costs.

Were these four conditions of the committee satisfied?

Response: FAA replaced the central processing unit of the computer system at the Aeronautical Center. All conditions directed by the Committee will be satisfied in reports submitted when requesting authority to retain the processing unit beyond the initial one year lease.

ADMINISTRATIVE SYSTEM PLAN

Senator Andrews: In your testimony during this year's oversight hearing in the FAA R&D program there was mention of an Administrative System Plan which will automate the agency's entire administrative process. Please give details of this plan including your objectives and implementation schedule. What will be the staffing impact of this plan? Will it save manpower?

Response: On January 6, 1983, the FAA initiated a comprehensive review of all information requirements that were candidates for automation. This review and its product, FAA's Information Resource Management Plan, will be available by September 1983. The plan projects the automated information system requirements and developments as well as the required hardware and communications configurations necessary for FAA through 2000. The objective of this strategic plan is to provide overall objectives and design criteria to guide the agency in the development of automated systems and the procurement of associated equipment. The plan's primary benefit will be to maximize the utility of the information collected, to minimize the delivery cost, and to accommodate increased workload through greater productivity, considering that FAA administrative positions (DS&S) have already declined 35% over the last ten years.

While the plan is not yet finalized, we anticipate personnel savings and productivity gains will be realized through implementation of the projects identified.

PARADYNE CORPORATION

Senator Andrews: On March 25, 1983, the Securities and Exchange Commission charged the Paradyne Corporation of Largo, Florida of deceiving the Social Security Administration into signing a nearly $100 million contract. Paradyne succeeding in getting the contract by apparently "passing off a competitor's equipment as its own and an empty box with nothing more than blinking lights as an electronic security device." Isn't this firm one of your contractors for equipment to be used in upgrading the FAA's RML communications network? What if any impact does these charges have on your contract? Has Paradyne delivered the equipment the FAA contracted for in a satisfactory manner? How much is the contract the FAA has with Paradyne? (Note: Current contract is for modems (modulation - demolulation units designed to transmit/receive voice and data messages between operation electronic facilities/equipment).

Response: The Defense Commercial Communications Office (DECCO), acting within an interagency agreement with the FAA has competitively solicited technical proposals for FAA's requirements and, subsequently, on April 21, 1983, has signed a lease purchase contract with Paradyne for FAA's first year lease requirements for Modems amounting to $1,415,550. Terms of the contract includes equipment, first year lease and maintenance, turnkey installation and user training.

Prior to contracting, the FAA tested the Paradyne units and has found them to be fully satisfactory.

Concerning the SEC charges, we do not expect them to have any impact on this contract.

Senator Andrews: What procedures and safeguards exist in your procurement procedures to protect against unreliable contractors?

Response: Contract awards are limited to "responsible prospective contractor(s)" as described in Federal Procurement Regulations. Preaward surveys, commensurate with the cost and complexity of the procurement, are conducted by technical experts and other specialists. The process may include on-site evaluation or data from other Government agencies, financial institutions, or journals.

ATCT AND/OR TRACON FACILITIES

Senator Andrews: Last year this Committee provided funds for replacement of Air Traffic Control Tower (ATCT) and/or Terminal Radar Approach Control (TRACON) facilities at Juneau, Alaska; Fayetteville, Arkansas; Daytona Beach, Florida; Kahului, Hawaii; Knoxville, Tennessee; and Appleton, Wisconsin. What are the estimated dates for completion of these replacement projects?

Response: The estimated replacement completion dates are as follows:

The estimated replacement completion dates are as follows:

Fayetteville, AR	11/85
Daytona Beach, FL	8/85
Kahului, HI	1/86
Knoxville, TN	4/86

The replacement at Juneau, Alaska has been revised to a modernization of the existing ATC Tower and the Appleton Wisconsin replacement is currently in a hold status pending a revalidation of the local traffic volume.

FAA SURVEY OF USERS' VIEWS OF NAVIGATION OPTIONS

Senator Andrews: Last year you were quoted in Aviation Week and Science Technology, August 23, 1982 (pg 34) as reducing the choices regarding long-term navigation technology to two. Briefly, these are: (1) remain with current navigational equipment until the later part of this century and eventually transition to a satellite system especially designed for civil aviation, which could provide air-surveillance data and data communications as well as navigation. (2) transition to NAVSTAR around the mid-1990's while retaining VOR/DME for an extended time for use by general aviation and until NAVSTAR is adopted by the International Civil Aviation Organization. You are quoted as saying ".... navigation has not surfaced as a major problem (and) we have heard little about the need to make dramatic changes in the navigation system and services provided by the Government." Can we take this to mean that option one stated above is a foregone conclusion?

Response: The FAA went into the examination of the future radionavigation system mix with an unbiased position after the solid state replacement for the vacuum tube VOR DME system was assured. In fact, more funds have been used in evaluating NAVSTAR GPS than any other candidate (about $4.0 million). However, the results of our studies and tests to date (Report No. DOT/FAA EM-82-24," Summary of the FAA's Future Navigation System Mix Evaluation, dated August 1982) and user comments (Report No. DOT/FAA EM-82-26, "Summary Proceedings of the Future Navigation Systems Planning Conference," dated September 1982) support our position ".... the FAA recommends that the current system mix be retained until at least the year 2000." which was sent to the Chairman of the DOT Navigation Council on February 18, 1983, as the FAA's preliminary recommendation for the future radionavigation system mix. The FAA's recommendation also states ".... the FAA will continue to examine the potential of NAVSTAR GPS as an element of the civil navigation system mix."

GRANTS PROJECTS

Senator Andrews: Several airport air grant applications were identified for priority consideration last year by the Committee and again in the Jobs Bill. Please advise on the status of each of these projects.

Response: The status of the locations in Senate reports is as follows:

LOCATION AIRPORT NAME TYPE	REQUESTED	PLANNED/PROGRAMMED
FLORIDA		
Ft. Lauderdale Ft. Lauderdale-Hollywood (PRIMARY)	Land for airport development - $45.2 million.	Amendment to multi-year project (82-01) - $1,711,483. Land acquisition - $1,610,116.*
Ft. Myers Southwest Florida Regional (PRIMARY)	Land; building and road construction - $13.0 million.	Amendment to multi-year project - $893,004. Land acquisition - $365,172.
Sarasota Sarasota-Bradenton (PRIMARY)	No request on file. Expect request totalling $4.0 million for apron work.	Amendment to multi-year project - $903,644. Airport noise study - $112,500. Additional project being considered with Jobs funds.
ILLINOIS		
Rockford Greater Rockford (COMMERCIAL SERVICE)	Overlay Runway 18/36 and taxiway; groove runway - $1,483,200. Reconstruct GA apron - $316,091.	Reconstruct GA apron - $316,091. Additional project being considered with Jobs funds.
East St. Louis Bi-State Parks (RELIEVER)	Construct taxiway; expand apron and taxiway - $2,600,000.	Project being considered with Jobs funds.
Chicago Chicago Midway (PRIMARY)	Repair and overlay taxiway; reconstruct storm drainage; modify airfield lights; CFR access; construct aprons - $5,922,540.	Not determined by sponsor. Has $10,522,701 entitlement to use at Midway and O'Hare. Also being considered with Jobs funds.
IOWA		
Ames Ames Municipal (GENERAL AVIATION)	No preapplication on file.	Airports sponsor is in process of preparing master plan. Funding will depend on timing of plan.

LOCATION AIRPORT NAME TYPE	REQUESTED	PLANNED/PROGRAMMED
MINNESOTA		
Hibbing Chisholm-Hibbing (COMMERCIAL SERVICE)	Reconstruct Runway 13/31, taxiway and apron; install lights - $2,000,000.	Project being considered with Jobs funds.
Duluth Duluth International (PRIMARY)	Extend taxiway - $3,687,300. Multi-year amendment - $394,693.	Multi-year amendment - $394,693. Taxiway extension being considered with Jobs funds.
Ely Ely Municipal (GENERAL AVIATION)	Rehabilitate runway; overlay runway; taxiway and apron; remove obstructions - $1,000,000.	Project being considered with Jobs funds.
MISSOURI		
St. Louis Lambert-St. Louis International (PRIMARY)	Retroactive construction; Land - noise & clear zone; $31,996,518 (dated 7-82). Land - noise - $42,423,000 (dated 1-83).	$14,288,132 - FY 82. $7,800,000 - so far in FY 83. Additional being considered.
Clinton Clinton Memorial (GENERAL AVIATION)	Land; construct and light new runway, turnarounds and taxiway; reconstruct, widen and extend ruwnay - $2,225,516.	Project being considered with Jobs funds.
Harrisonville Harrisonville (New) (GENERAL AVIATION)	Construct new airport - $1,233,945.	Project being considered with Jobs funds.
Rolla Rolla National (GENERAL AVIATION)	Overlay runway, taxiway, and apron, drainage improvements - $1,484,370.	Project being considered with Jobs funds.

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LOCATION AIRPORT NAME TYPE	REQUESTED	PLANNED/PROGRAMMED
NEW YORK		
Rochester Monroe County (PRIMARY)	Rehabilitate runway - $3,270,000	Rehabilitate runway - $3,270,000
Buffalo Greater Buffalo International (PRIMARY)	Snow removal equipment - $1,067,900. Engineering design (new taxiway and road in cargo area - $455,000. Relocate fuel farm - $2,250,000.	Snow removal equipment - $1,067,900. Engineering design (new taxiway and road in cargo area) - $455,000. Additional project being considered
NORTH DAKOTA		
Bottineau Bottineau Municipal (GENERAL AVIATION)	Land - $63,000. Reconstruct & widen runway - $392,940. Reconstruct & widen taxiway - $31,500. Strengthen & expand apron - $76,500. Pave access road - $18,000. Runway lights - $60,000.	Land - $63,000. Reconstruct & widen runway - $392,940. Additional project being considered with Jobs funds.
Medora Buddy Ranch (GENERAL AVIATION)	No preapplication on file.	Not in national airport plan - therefore, not eligible.
Watford City Watford City Municipal (GENERAL AVIATION)	Extend and widen Runway 12/30; widen and strengthen taxiway; strengthen and expand apron; pave taxiway and access road; install lighting and fencing - $591,000. Land - $30,000.	Extend and widen Runway 12/30; widen and strengthen taxiway; strengthen and expand apron; pave taxiways and access road; install lighting and fencing - $591,000.
Fargo Hector Field (PRIMARY)	Complete terminal apron; construct access road; construct electrical vault; install security fence - $7,251,200.	Complete terminal apron (partial) - $1,026,394. Additional project being considered with Jobs funds.

LOCATION AIRPORT NAME TYPE	REQUESTED	PLANNED/PROGRAMMED
Mandan Mandan Municipal (GENERAL AVIATION)	Extend Runway 13/31; relocate road; extend taxiway; construct crosswind runway; expand apron - $836,680.	Project being considered with Jobs funds.
Dickinson Dickinson Municipal (GENERAL AVIATION)	Construct and light Runway 7/25; apply porous friction course; install VASIs and REILs - $459,000.	Project being considered. with Jobs funds.
Woodward West Woodward (GENERAL AVIATION)	Overlay and extend runway - $1.6 million.	Project being considered with Jobs funds.
OREGON		
LaGrande LaGrande Municipal (GENERAL AVIATION)	Extend runway and taxiway - $533,809.	Under consideration for FY 84 funding.

* Project previously announced

Senator Andrews: Are there any potential technological breakthroughs that will make a substantial difference?

Response: We know of no near term technological breakthroughs that would impact the FAA's preliminary recommendation on the future radionavigation system mix. Some changes that are expected are greater use of LORAN-C and other RNAV methods of navigation, and a decrease in cost (in today's value) of equivalent navigation avionics.

ATCT RELOCATIONS

Senator Andrews: On page 261 of your budget request there are 11 air traffic control towers proposed for relocation. An OIG audit last spring determined that internal FAA controls have not been sufficient to insure that any such relocations that are necessitated by some action taken by an airport sponsor or other party be paid for by such party. How many of the proposed tower relocations were precipitated by sponsor action or improper FAA planning? Please document for the record the exact cause for the tower relocations proposed.

Response: Our budget request to relocate 11 airport traffic control towers was not precipitated by sponsor action or improper FAA planning. These locations were identified based on current and future operational, equipment, administrative, and training requirements and airport and air traffic activity growth. Of the 11 control towers, 10 are over 20 years old and all 11 facilities have become operationally inadequate. Additionally, further expansion or improvement to these facilities is not technically or economically feasible due to structural deficiencies or deterioration and building age.

Relocation of these airport traffic control towers will improve efficiency and productivity and enhance safety while ensuring present and future requirements can be met.

The following is a list of the 11 control towers and the reason for relocation.

Sarasota, Florida (Tower Only) $2,023,600

Replacement of this facility is required due to building age, insufficient operational and administrative space and its location on top of the terminal building. The tower cab is over 20 years old and is only 40 feet above ground level. Aircraft parked on the ramp and at the gate position block the controller's view of these areas. Expansion of the existing facility is not feasible.

Waterloo, Iowa (ATCT/TRACON) $3,872,000

Replacement of this Terminal Radar Appraoch Control in Tower Cab (TRACAB) facility is required because of insufficient operational and administrative space. Expansion of the existing facility is not feasible. The tower structure is over 27 years old and stands 35 feet above ground level. Several sections of the airport are not visible from the control tower due to its limited height. This facility operates as a combined tower and radar operation from within the confined space of the tower cab.

New Orleans (Lakefront), Louisiana (Tower Only) $3,097,000

The tower facility is over 50 years old and expansion/modification is not economically feasible. Replacement of this facility is required due to building deterioration and insufficient operational and administrative space.

Detriot (Willow Run), Michigan (Tower Only) $1,688,200

Replacement of this facility is required due to building age and insufficient operational and administrative space. The tower structure is over 35 years old and is in poor physical and environmental condition. Sections of the airport are not visible from the control tower because several industrial plants adjacent to the airport restrict the controller's view of these areas.

Chesterfield (Spirit of St. Louis), Missouri (Tower Only) $3,024,600

Replacement of this facility, which was built in 1970 by the airport owner, is required due to tower height (the cab is only 25 feet above ground level) and insufficient operating, training, and administrative space. In addition, when a new parallel runway is completed (construction scheduled to begin in the Fall of 1983) the controllers will be unable to observe aircraft operating on the new parallel runway or adjacent taxiways. Additionally, replacement is recommended based on forecast traffic activity growth and Chesterfield's role as a reliever airport for the St. Louis (Lambert) Airport.

Kansas City (Downtown), Missouri (Tower Only) $3,644,600

Replacement of this facility is required due to building age and lack of sufficient space required for operational and administrative areas. The tower structure is over 28 years old and expansion/modification of the existing facility is not feasible. The tower cab is only 35 feet above ground level, it is overcrowded and aircraft operating within portions of the traffic pattern are not visible from the tower due to its limited height.

Atlantic City, New Jersey (Tower/TRACON) $6,098,600

The current tower facility is over 40 years old and was built by the U.S. Navy to meet operation requirements of that era. Replacement of this facility is required due to insufficient height of the tower cab, inadequate space for operational, administrative, and equipment requirements. The control tower is only 45 feet above the ground and sections of the airport are restricted from the controller's view.

Wilmington, North Carolina (ATCT/TRACON) $4,702,000

The tower facility is over 30 years old and is only 35 feet above ground level. The facility operates a combined tower and radar operation from within the confined space of the tower cab. The tower is overcrowded and lacks sufficient operational, administrative and equipment room space. Sections of the airport are not visible from the tower due to its limited height. Expansion/modification of the existing facility is not feasible.

Eugene, Oregon (ATCT/TRACON) $4,205,000

The existing facility is over 25 years old and is part of the airport administration building. The location of the control tower restricts the controller's view of several sections of the airport including portions of the airport traffic pattern area. This facility has grown from a basic VFR tower operation into a busy combined tower and radar operation. There is insufficient space for the operational, administrative and equipment requirements. Expansion/modification of the existing facility is not feasible.

Brownsville, Texas (Tower Only) $3,208,000

The facility is a level II nonradar approach control facility which provides approach control service to the Lower Rio Grande Valley area. The tower was built in 1950 and is owned by the city.

The facility is in poor physical condition, improvement and modernization are not economically feasible. The facility has major structural, mechanical, and electrical deficiencies that present potential safety hazards.

Burlington, Vermont (ATCT/TRACON) $4,271,000

Replacement of this facility is required due to insufficient tower height, building age, and lack of operational and administrative space in the tower and TRACON area. The tower was built in 1950 and is only 50 feet above the ground level. Several taxiways and the approach end of Runway 15 are not visible from the control tower due to insufficient tower height.

FINANCING TOWER RELOCATIONS

Senator Andrews: The OIG audit also recommended that the FAA submit draft legislation that would, if signed into law, bind sponsors to pay a fair share of relocation cost when they are to blame. Has that draft legislation been prepared? When will it be available?

Response: The thrust of the Inspector General's recommendations concerns improved internal management techniques to identify and prevent unnecessary tower relocations. We have already initiated or are in the process of initiating revised review and approval procedures of airport master plans, additional clauses in leases or grants to define protected areas, graphic representations of protected areas and clarifying policy for Federal airport aid. In addition, the question of requiring an airport sponsor to be responsible for funding an airport traffic control tower relocation is identified and included in FAA's legislative program for the 98th Congress. However, in view of the internal management initiatives taken, no decision has been made on proceeding with the legislative proposal.

We believe these actions have greatly alleviated the problems and so, apparently does the Inspector General. The Inspector General, in a letter to FAA's Administrator, reported "Your staff has generally agreed with the findings and recommendations and has proposed or taken very responsive actions to correct the problems noted. Accordingly, we consider the issues raised in the audit report to be resolved."

CIVIL RIGHTS

Senator Andrews: Please advise the Committee of your progress in improving your Civil Rights performance. For FY 1981 through 1983, cite comparative percentages of employment of minorities and women and include the dollar amounts of your efforts.

RESPONSE: In our Airport Aid Program area, the number of minority concessionaires operating at the nation's thirty-one largest airports increased from 54 in 1977 to 97 in 1982. During FY 82, 254 Airport sponsored Minority Business Enterprise programs were approved.

Percentage of minorities and women employed FY 1981 through 1983 are as follows:

	9/30/80	9/30/81	9/30/82	3/31/83
Minority Employment	11.7	13.2	12.3	12.3
Female Employment	14.4	15.6	15.4	15.5

Percentage of minorities employed was on the upswing and dipped in 1982 and 1983 resulting mainly from the air traffic controllers' strike in 1981. There have been very few new hires in occupations other than Air Traffic Control since January 1981 because of Agency and/or Government-wide hiring freezes, reductions in employment levels, budget cutbacks, and restrictions on expenditure of funds for travel, printing, advertising, etc. A major recruitment drive was launched to rebuild the Air Traffic Control system subsequent to the strike which included specific efforts to recruit minorities and women.

Specifically, we have conducted special orientation classes at minority schools and centers to raise the information levels and potential for passing the ATC test. Flyers were printed and sent to minority and women's organizations throughout the country to alert them to the employment opportunities during the period of open season of the Air Traffic Control register. As of March 30, 1983, an exemption to the freeze has been granted in the recruitment and hiring of Hispanics.

In early 1981, $7,500 was spent for special advertisement for minority and female recruitment. This does not reflect the total costs of our special emphasis recruitment efforts. Most of the recruitment dollars for minorities and women are contained in the agency's overall recruitment budget. Therefore, we are unable to identify all funds expended specifically for special emphasis recruitment from those associated with our overall recruitment activities.

The agency in its 9 regions, 2 centers, plus the Washington Headquarters has Civil Rights specialists, personnel specialists plus managers in technical and administrative program areas at all levels involved in improving the agency's Civil Rights posture. No record is maintained of time and/or funds devoted exclusively to recruitment for minorities and women and/or for Civil Rights efforts related to complaints, etc.

Therefore it is not possible to identify with any degree of preciseness the amount of funds expended in this effort.

VOR DECOMMISSIONING

Senator Andrews: The committee has received information that you decommissioned the Laurel, Mississippi, VOR on February 17. Also, this might have been the first of many VOR's to be decommissioned under a list that has been distributed to your regions. Please tell us of your VOR decommissioning plans.

Response: The Laurel, Mississippi, VOR has been decommissioned. It was removed from service because it was not required to support the air traffic route structure or the instrument approach procedures at the Laurel, Mississippi airport. A non-directional beacon (NDB) approach is available on Runway 13 and a VOR approach based on the Eaton VOR will be provided.

The FAA has not prepared or circulated any list of VOR decommissionings or proposed decommissionings. A VOR networking study is underway which may result in decommissioning and/or relocating a number of VOR's to provide the optimum air traffic route structure. The study is incomplete at this time, and thus no sites have been named for decommissioning or relocation.

Senator Andrews: What progress have you made in paying the more than 2,500 claims for retroactive compensation under the Fair Labor Standards Act amendments? Will you complete your reviews and make final payments before September 1983?

Response: Progress the FAA has made in paying the claims is as follows:

Number of Claims Received	2,577
Number of Claims Paid	554
Number of Unpaid Claims	2,023

The FAA expects to substantially complete the payments by September 30, 1983, using temporary employees, data processing resources, and contractor support.

FSS SPECIALIST STUDY

Senator Andrews: Last year the conferees urged the study and analysis relative to FSS specialists for early retirement be referred to the GAO for analysis, evaluation and reports. Did FAA take action on this?

Response: In January 1983 the GAO requested and we provided a copy of the FAA study and supporting analyses. We are unaware of GAO's plans to analyze or evaluate this study.

REGIONAL/CENTER COMPUTER PURCHASE

Senator Andrews: This Committee authorized your lease of a new computer for FY 1983 for your Aeronautical Center. This was done with certain constraints. Please recap the status of the lease and your plans for the future.

Response: A new central processor for the computer system was acquired under a leasing arrangement and installed in November 1982. FAA is now pursuing actions which will satisfy Congressional conditions for retaining this processor. These actions will be completed in September 1983 and presented to your Committee.

Senator Andrews: Page 33, of our Senate Report for FY 1983 appropriations, directed that you immediately install an ILS at Devil's Lake, North Dakota. What is the status of this project?

Response: Planned commissioning is 10/84, contingent upon resolution of problems associated with the airport sponsor's reported lack of Airport Improvement Program (AIP) funds and a major highway at the end of the runway which may have to be relocated. These items could delay construction start and commissioning until 1985.

BOB SIKES AIRPORT

Senator Andrews: The Committee directed that FAA continue to monitor the Bob Sikes Airport in Crestview, Florida, and to recommend installation of an ILS as soon as traffic meets criteria. What is the status of this project?

Response: The FAA has proceeded with this project. The status is as follows:

- Installation started: March 1983
- Estimated Commissioning: June 1983
- Equipment to be Installed: Localizer Compass Locator and Outer Marker
- Runway: #17
- Expected Minima: MDA 650 feet; Visibility: Category A&B 1 mi., Category C&D 1½ mi.

GRANT PROJECTS

Senator Andrews: For FY 1983, the Committee directed that priority be given to grant applications from Bottineau Airport and Buddy Ranch Airport (Medora) North Dakota; Woodward Airport, Oklahoma; Fort Lauderdale Hollywood International Airport; the Southwest Regional Airport at Fort Myers, the Sarasota-Bradenton Airport, Florida; the Rochester Monroe County Airport, New York; Lambert International Airport, St. Louis; and La Grande Airport in Oregon. Please provide the Committee with a status report on each of these locations.

Response: The status of these locations as of April 20, 1983, is as follows:

LOCATION AIRPORT NAME TYPE	
NORTH DAKOTA	
Bottineau Bottineau Municipal (GENERAL AVIATION)	REQUESTED. Land - $63,000. Reconstruct & widen runway - $392,940. Reconstruct & widen taxiway - $31,500. Strengthen & expand apron - $76,500. Pave access road - $18,000. Runway lights - $60,000. PLANNED. Land - $63,000. Reconstruct & widen runway - $392,940. Plus additional project being considered under Jobs Bill.
Medora Buddy Ranch (GENERAL AVIATION)	REQUESTED. No preapplication on file. PLANNED. Airport is not in national airport plan and is not eligible for funding.
OKLAHOMA	
Woodward West Woodward (GENERAL AVIATION)	REQUESTED. Overlay and extend runway - $1.6 million. PLANNED. Being considered for FY 83 or 84 funds.
FLORIDA	
Ft. Lauderdale Ft. Lauderdale-Hollywood (PRIMARY)	REQUESTED. Land for airport development $45.2 million. PLANNED. Amendment to multi-year project (82-01) - $1,711,483. Land acquisition - $1,610,116.* Possible additional funding this year.
Ft. Myers Southwest Florida (PRIMARY)	REQUESTED. Land; building and road construction. PLANNED. Amendment to multi-year project - $893,004.
Sarasota Sarasota-Bradenton (PRIMARY)	REQUESTED. No request on file. Expect request totalling $4.0 million for apron work. PLANNED. Amendment to multi-year project - $903,644. Airport noise study - $112,500. Additional projects being considered under Jobs Bill.

NEW YORK	
Rochester Monroe County (PRIMARY)	REQUESTED. Rehabilitate runway - $3,270,000. PLANNED. Rehabiliate runway - $3,270,000.
MISSOURI	
St. Louis Lambert-St. Louis International (PRIMARY)	REQUESTED. Retroactive construction; & Land - noise & clear zone; $31,996,518. Additional land for noise compatibility - $42,423,000. PLANNED. $14,288,132 - FY 82. $7,800,000 - so far in FY 83. Additional being considered for this year.
OREGON	
LaGrande LaGrande Municipal (GENERAL AVIATION)	REQUESTED. Extend runway and taxiway - $533,809. PLANNED. Under consideration for FY 84 funding.

* Project previously announced

WASHINGTON HEADQUARTERS TELEPHONE SYSTEM

Senator Andrews: Your request of $3.5 million to replace the Washington Headquarters telephone system is justified on the basis of eliminating DOT and GSA overhead costs. What are overhead costs and how much do you pay DOT and GSA annually?

Response: The overhead costs paid to DOT's Office of the Secretary for FY 1982 were $43,400. These cover the design and planning of headquarters telephone systems; the review and processing of telephone requests and work orders; and on-site surveys.

The overhead costs paid to GSA for FY 1982 were $171,859. These costs cover common distributable charges which represent yet another level of communications management.

In addition to overhead costs, we anticipate further savings based on the fact that future costs will only be related to leased lines and a system maintenance contract. The additional savings are as follows:

FY 1985	$498,741
FY 1986	569,741
FY 1987	648,741
FY 1988	734,741

CONTROLLER CHAIRS

Senator Andrews: How much have you spent to date on your Controller Chair replacement program and how much more do you need to spend before the program is completed?

Response: Funds were spent in FY 1981 in the amount of $4,620.00 and FY 1982 in the amount of $47,176.00 for prototype chairs. To date, we have not spent any of the funds appropriated in fiscal year 1983. We expect, however, to begin our initial buy in May of this year. Fifteen different chair types were lab tested at Purdue University, and on-site testing is currently underway. Our original program called for 10,000 chairs but it is now expected only 8,500 will be needed. Cost of the total program is estimated to be about $2.7 million. Remaining portions of the required amount will be requested in future budget submissions.

REIMBURSEMENTS TO NOAA

Senator Andrews: Last year the Congress directed FAA and the National Oceanic and Atmospheric Administration to resolve the reimbursement of $27,000,000 worth of aviation weather program work performed by NOAA for the FAA. Page 60 of your FY 1984 budget estimate requests $26.7 million for reimbursement to Department of Commerce (DOC) for weather services, yet the Congress has not received your reply to its direction of last year. When can we expect your reply and what are your conclusions?

Response: The FAA and NOAA have reached a tentative resolution and report to the Congress on this funding issue. This resolution is currently being reviewed by the Departments of Commerce and Transportation, and the Office of Management and Budget. We expect the report will be forwarded to the Congress during the month of May.

OWENSBORO, KENTUCKY, AIR TRAFFIC CONTROL TOWER

Senator Andrews: What is the contractual status of the operation of the Owensboro, Kentucky, Airport Traffic Control Tower? When can we expect your retention analysis on this facility?

Response: On April 7, 1983, the Owensboro-Daviess County Airport Board entered into an agreement with the FAA for us to provide $96,000 to cover approximately 95% of local operating cost for contract air traffic control services at the Owensboro-Daviess County Airport. This agreement was retroactive to March 1, 1983.

During this one year period, we plan to evaluate the contract tower issue there and at other locations. This evaluation will lead to a policy on contracting out VFR control tower functions.

A formal staff study, external coordination, and an indepth cost benefit study must be completed before a recommendation is made on the retention of an FAA supported facility at Owensboro-Daviess County Airport. This process typically takes about one year and in this case has not formally commenced.

FSS EMPLOYEE RELOCATIONS

Senator Andrews: Page 60 of your budget requests $2.5M to relocate FSS personnel due to proposed facility closures. Exactly what facilities do you intend to close? How many employees at each will be impacted?

Response: We plan to close 75 FSS's in FY 1984. Our planning has not progressed to the point of identifying specific facilities. The number of employees impacted will not be known until all locations have been identified. The increase of $2.5M will fund approximately 280 relocations.

TECHNICAL CENTER LEASE

Senator Andrews: Your F&E budget requests funds for lease payments for the Technical Center complex. I understand the lease was paid from your operations I&M activity through FY 1983 yet there is no decrease in FY 1984. Is F&E now going to pay it? Where is the decrease funding reflected? Also, payments were traditionally on a 70/30 percent split, why has this ratio been changed?

Response: The Technical and Administrative Building at the FAA Technical Center was funded and constructed by the Atlantic County Improvement Authority. The building was completed in 1980 and is leased to FAA by the Atlantic County Improvement Authority for 20 years. At the conclusion of the lease, full title to the building is conveyed to the U.S. Government without compensation.

Beginning in FY 1980 and through FY 1983, lease payments have been made from both the Operations (30 percent) and F&E (70 percent) Appropriations. The 30/70 percent split funding reflected the regulatory versus non-regulatory functions that are conducted at the Technical Center.

Historically, F&E Appropriations have been the vehicle for funding major FAA facility construction projects such as hangars, towers, centers, etc. It is appropriate that payments for this major long-term capital investment be made entirely from the F&E Appropriation. Regulatory F&E requirements have been funded previously from the Facilities, Equipment and Development (F,E&D) Appropriation. In this budget request the F,E&D appropriation is proposed to be eliminated and the projects that would have been included under the F,E&D Appropriation are now included under the Research, Engineering, and Development (R,E&D) and the F&E Appropriation requests.

The Operations Appropriation request did not reflect the $1,557,000 decrease brought about by shifting 30 percent of the lease payment to the F&E Appropriation. However, subsequent to the preparation of this budget, other unprogrammed requirements have been discovered, such as additional personnel costs and benefits and increased rental costs of the Systems Training Building at the Aeronautical Center. The funds will be used to cover those requirements.

SLUC AND UTILITIES INCREASES

Senator Andrews: Your request included a $2.7 million increase for Standard Level User Charges (SLUC); higher utility costs are also requested. How can you justify increases when you have given up space due to region and organizational consolidations that have taken place and further consolidations and position decreases you contemplated?

Response: The requested increase for SLUC is required to cover rate increases under the GSA Fair Annual Rental (FAR) system. While savings have been achieved as the result of giving up space, the amount realized has not been enough to offset the FAR rate increases. Changes have been made to the SLUC rates by GSA at practically every location where FAA occupies SLUC space, with the big increases primarily on the regional headquarters buildings. Following are a few examples:

Locations	FY-83 Rate	FY-84 Rate	Increase
Hawthorne, Calif.	$1,940.1	$2,550.8	$610.7
Des Plaines, Ill.	1,142.7	1,680.1	537.4

The majority of the increases (96%) for utilities are at three locations which do not occupy SLUC space; the FAA Technical Center, the Mike Monroney Aeronautical Center, and the Southwest Region Headquarters. The increase is based on anticipated higher rates being passed on to us by the local utility companies.

SYSTEMS MAINTENANCE

Senator Andrews: You are requesting $19.9M for systems maintenance expanded program of which approximately $17.5M covers maintenance and leased communications costs for new facilities. None of this increase appears to finance personnel costs. How many new facilities are we talking about? Please list them.

Response: Yes, that is correct. The $17.5M covers other objects such as travel, transportation, rents, etc., for the 206 new facilities being commissioned.

Background: Major new traffic control and air navigation facilities planned for commissioning during 1984 are:

1	remote center/air ground communications facility
1	automated radar terminal system
1	airport surveillance radar
27	direction finders equipment
4	VHF omnidirectional ranges
3	tactical air navigation equipments
52	distance measuring equipments
11	instrument landing systems
1	radar visual range
35	approach lighting and runway alignment systems
23	visual approach slope indicators
35	runway end identification lights
12	omnidirectional airport lighting systems
206	

TEMPORARY POSITIONS

Senator Andrews: We note you are reducing your Operations "Regulatory" activity by 111 full-time permanent positions and requesting 100 temporary positions. Could you please explain your rationale for the switch to temporary positions? Will these temporary employees be performing the same tasks as the full-time permanent positions which are being given up?

Response: The reduction of 111 full-time permanent positions reflects our continued efforts to effect greater productivity through management initiatives, i.e., field office modernization; use of designees in air carrier activities; and restructuring of the Flight Standards Field Office operations.

The requirement for 100 temporary positions will fulfill a special need and does not represent a switch in employment practices. The objective of restructuring the field offices, as mentioned above, is to save agency resources while at the same time, improve field office performance. It will be a major departure from the way district offices have conducted operations in the past. Initially, our inspectors will require extensive training and involvement with the carriers over extended periods of time to become familiar with their new duties. During the period of inspector absences from their offices, we plan to hire recently furloughed and retired industry employees at the GS 9/11/12 levels on a temporary basis to conduct selected inspector activities.

SIKORSKY S-76

Senator Andrews: We notice that you lease a Sikorsky, S-76 Helicopter. What does this lease cost per year? How many hours was it flown in FY 1982? What is your estimate of flight hours in FY 1983? Where is it based? What was the per-hour cost in 1982? What do you use it for? What alternatives have you considered? How does the cost compare with industry standards?

Response: The annual leasing cost is $618,924 plus $25.00 per flight hour. The aircraft, which is based at the Technical Center in Atlantic City, New Jersey, was delivered during FY 1982 and flown 87 hours. The estimate for FY 1983 is 500 flight hours and will provide support for Research and Development projects, FAA Academy training for inspectors, and joint FAA/industry and other Government projects. Outright purchase of the aircraft has been considered as an alternative to continued leasing. The standard industry cost for leasing a comparable helicopter is $750,000 per year, or $118,576 more than the current FAA costs.

FAA PILOTS

Senator Andrews: How many pilots (whose primary duty is to pilot aircraft) do you have in FAA? Provide a breakdown of these duties and the number of employee years dedicated to each, i.e., flight inspection, training, transport passengers/freight, etc. What is the annual number of hours flown by this group? What is the average monthly flight time per pilot? How does this compare with airline pilots?

Response: There are 272 FAA personnel whose primary duty is to pilot aircraft.

PRIMARY DUTY	EMPLOYEE YEARS	ANNUAL FLIGHT HOURS	AVERAGE MONTHLY FLT TIME/PILOT
Flight Inspection and Logistics 1/	190	24,892	10.9
Facilities and Equipment	7	1,714	20.4
Flight Test 2/	2	26	1.1
Research and Development	17	1,013	5.0
Evaluation, Currency and Transportation	7	1,996	23.8
Training	49	5,333	9.0
TOTAL	272	34,974	70.2

1/ 10 employee years of the 190 flight inspection pilot employee years are devoted to logistics. 1,295 annual flight hours were flown which equals 10.8 hours per pilot per month.

2/ 2 employee years at the Aviation Standards National Field Office, Oklahoma City, OK, are devoted to flight test of aircraft after overhaul.

Pilots flying for air carriers are limited by Federal Aviation Regulations to 100 hours per 30 days; other pilots who fly for air taxi and commercial operators are limited to 8 to 10 hours a day depending on crew complement.

It is not appropriate to compare agency pilots against airline pilots solely on the basis of flying time. Agency pilots must perform lengthy, complex coordination routines with other organizations prior to each flight. In other cases, agency flight crews must plan special flight profiles, while ground and/or airborne equipment is adjusted, changed, or modified. These requirements do not exist in day-to-day airline operations.

CONSTRUCTION, MWA

Senator Andrews: It would appear that you have had excess dollars in your Construction, MWA account. In FY 1982 you submitted and were approved to transfer $10 million to your Operations Appropriation. We understand that this year you are requesting several million dollars be reprogrammed to new projects. Please provide a list of your pending construction projects, the funds available for each, obligations to date, and the amount not required for each.

Response: Following is the list as requested:

17-540 O—84—34

CONSTRUCTION, MWA UNOBLIGATED BALANCE

Description	Funds Available	Obligations to Date	Unobligated Balance	Amount not Required
DULLES INTERNATIONAL AIRPORT				
Update Master Plan	$ 1,611,737	$ 1,111,737	$ 500,000	
Sewer System Rehabilitation	133,443	33,443	100,000	
Section Five of the Access Highway	30,889,300	21,784,392	9,104,908 2/	$3,500,000 3/
Study of Alternative for Increasing Terminal Capacity	340,000	140,000	200,000	
Expand Public Parking	300,000	150,000	150,000	
Improve Access for Handicapped	451,014	56,014	395,000	
Rehabilitate Escalators	200,000	0	200,000	
Energy Savings Projects	430,000	0	430,000	
All Other 1/			138,217	
TOTAL DULLES INTERNATIONAL AIRPORT			11,218,125	
TOTAL METROPOLITAN WASHINGTON AIRPORTS			22,904,633	

1/ Funds reserved for projects already under contract to cover the cost of change orders and contractor claims.

2/ Includes the $3,095,000 addressed in the 4/6/83 reprogramming request.

3/ Potentially surplus provided no unusual contract adjustments or anticipated claims develop during the final six months of construction.

CONSTRUCTION, MWA UNOBLIGATED BALANCE

Description	Funds Available	Obligations to Date	Unobligated Balance	Amount not Required
WASHINGTON NATIONAL AIRPORT				
Construct Extended Runway Safety	$10,450,200	$580,000	$ 9,870,200	
Modify Industrial Waste Treatment Plant	199,465	9,465	190,000	
Replace Roof, Main Terminal	300,826	35,826	265,000	
Improve Access for Handicapped	548,284	23,284	525,000	
Rehabilitate Fire Protection Systems	650,000	0	650,000	
All Other[1/]			186,308	
TOTAL WASHINGTON NATIONAL AIRPORT			$11,686,508	

1/ Funds reserved for projects already under contract to cover the cost of change orders and contractor claims.

METRORAIL SYSTEM TO DULLES INTERNATIONAL AIRPORT

Senator Andrews: Is an additional rail segment from downtown Washington to Dulles something you would consider in tandem with other efforts to increase ridership from Dulles?

Response: At the present time, the regional goal for Metro calls for a 101 mile system to be completed around 1990. A line to Dulles is not part of this initial system. The long range plans for Metro indicate a possible connecting line to Dulles off the Vienna line from the West Falls Church station.

Studies in the last several years have indicated that construction of the line to Dulles is not economically feasible at this time based on projected construction costs versus the projected ridership.

The median area of the Dulles Access Highway is being reserved by the FAA as a right-of-way for the construction of this extension at such future time as it is determined economically feasible by Metro to construct this line.

IMPACT OF DULLES GROWTH ON SURROUNDING ENVIRONMENT

Senator Andrews: What effect will the boost of passenger traffic and airline flights at Dulles have on environment around the Dulles Airport area?

Response: There is a sufficient buffer zone around Dulles which is designed to minimize the environmental impact of future growth at Dulles.

The impact on the surrounding environment was a major consideration in the initial site selection of Dulles. The airport occupies approximately 10,000 acres of land, including 8,000 feet beyond the end of each runway and 2,000 feet to each side.

The current Dulles master plan update study is revising the noise compatibility program, and close coordination is being maintained with Fairfax and Loudoun Counties to ensure compatible land use planning (i.e., zoning) for the areas adjacent to Dulles.

DEFERRED F&E PROJECTS

Senator Andrews: Last Year, Congress appropriated $625 million of the $725 million requested for F&E due to concerns that FAA would not be able to undertake all of the work requested for FY-1983. Which projects were deferred from the FY-1983 program and why were these projects chosen?

Response: The following projects were deferred from the FY-1983 program: Replace TPX-42 Terminal Systems, Establish/Replace Airport Surveillance Detection Equipment and Replace ARTCC/Remote Center Air/Ground (RCAG)/Control (Tone) Equipment.

Deferment of these projects was considered to be least detrimental to the timely implementation of the overall National Airspace System Plan.

SYSTEM ENGINEERING/INTEGRATION CONTRACT

Senator Andrews: You have indicated that FAA intends to award a system engineering/integration contract to oversee the NAS Plan before the end of FY-1983. We are unable to find this in the budget. How much is the anticipated cost of the contract and how do you propose to fund it?

Response: The planned system engineering and integration contract is estimated at $18,000,000. We propose to fund this contract by reprogramming available resources. We will of course consult congress before reprogramming funds.

TYPES OF ENVIRONMENTAL CONTRACTS

Senator Andrews: We note that you are requesting funds for environmental efforts in both Operations and R,E&D. Why are you funding contracts in two appropriations and paying salaries only in Operations?

Response: Environmental contractual funds from the R,E&D appropriations are used in developing regulations and agency policies needed to meet statutory requirements placed on the agency for environmental protection (e.g. Noise Control Act, Clean Air Act, National Environmental Policy Act, Historic Preservation Act, etc.).

Environmental contractual funds from the Operations appropriation are used mainly in performing energy conservation efforts within the agency (not regulatory), and to a lesser extent in performing agency environmental studies in support of its operational mission. Thus, for example, the conduct of an environmental impact assessment for Washington National Airport would be funded out of the Operations appropriation, while the development of the procedures and analytical methods for making that assessment would be funded under the R,E&D appropriation.

Salaries for the environmental and energy conservation programs have been included in the Operations appropriation since the inception of our work in these areas.

R E & D STAFFING

Senator Andrews: There is a huge increase in the funding level requested in the R,E&D account over previous years yet no staffing increase has been requested. How do you explain this? Do you intend to contract most of your R&D efforts?

Response: Most of the increases for the R&D program are the result of requirements for the Advanced Automation, AREA, Communication, Weather and Aircraft Safety programs. Basically the increased requirements represent higher incremental levels for ongoing efforts rather than new starts or significant increases in the number of contracts awarded. Because of this our current levels of staffing can carry out the engineering and management activities necessary to handle the higher funding levels required for the FY-84 R,E&D program.

CLOSING OF THE WASHINGTON MEDICAL CLINIC

Senator Andrews: What savings accrued from closing the Washington Medical Clinic? In retrospect do you now believe these savings outweigh tangible and intangible benefits from the clinic?

Response: The Washington Headquarters FAA clinic discontinued its physical examination program in May 1982 and established a nursing station. Employee medical services in the following areas were continued: first-aid, emergency, allergy shots, blood pressure checks, visual acuity for drivers' licenses, emergency electrocardiograms, and travel immunizations.

Arrangements were made with local physicians and the FAA Flight Surgeon, Washington ARTCC, to perform examinations for Washington Headquarters employees who require an annual examination as a job requirement (agency pilots, mobile lounge operators, etc.).

First year savings as a result of this reduction in employee medical services are estimated to be $78,000.

The elimination of physical examination services for FAA Headquarters employees appears to be cost effective. We will continue, however, to monitor the impact on our employees of these reduced employee medical services and adjust the scope of medical services as appropriate.

AIR TRAFFIC CONTROLLER HEALTH CHANGE STUDY

Senator Andrews: A few years ago you conducted a study at Boston concerning stress experienced by air traffic controllers. After your experience recovering from the strike, do you feel the results of the Boston Study are accurate?

Response: The Air Traffic Controller Health Change Study, commonly referred to as the "Boston University Study," concluded in part, that air traffic control is not an unusually stressful occupation. Although the working hours of many air traffic controllers temporarily increased, experience we have gained in recovering from the strike does not lead us to a different conclusion. We continue to believe that air traffic control is not per se an unusually stressful occupation.

AIR TRAVEL PERTAINING TO THE FAA ADMINISTRATOR

Senator Andrews: Section 324 of Public Law 97-369, dated December 18, 1982, Department of Transportation and Related Agencies Appropriation Act, 1983, specified limitations on air travel pertaining to the FAA Administrator. Please provide a chronological listing of Mr. Helms' official business air travel activities from January 1, 1983, through March 31, 1983. Include at least the following information:

A. Aircraft Operator
B. Type Aircraft
C. Point of Departure and Destination
D. Departure and Arrival (Local) Times
E. Purpose for Travel
F. Cost of Travel
G. Comparison of Total Travel Costs on Each Trip Between a Regularly Scheduled Air Carrier and an FAA-Owned Aircraft.

Response: The headquarters FAA aircraft use records show:

DATE	TYPE A/C	DEPARTURE ARRIVAL	LOCAL TIME	PURPOSE	FLIGHT COST	COST COMPARISON
1/14/83	CE-550	WASHINGTON, DC LA GUARDIA, NY	0700 0810	ATC EVAL.	1240	59
1/14/83	CE-550	LA GUARDIA, NY WASHINGTON, DC	1430 1545	ATC EVAL.	1343	59
1/25/83	L-1329	WASHINGTON, DC ATLANTIC CITY, NJ	0720 0755	ATC EVAL.	1101	87
1/25/83	L-1329	ATLANTIC CITY, NJ WASHINGTON, DC	1615 1655	ATC EVAL.	1223	87
2/15/83	L-1329	WASHINGTON, DC KANSAS CITY, MO	1025 1155	ATC EVAL.	4588	244
2/15/83	L-1329	KANSAS CITY, MO LONG BEACH, CA	1335 1355	ATC EVAL.	6055	322
2/17/83	L-1329	LONG BEACH, CA KANSAS CITY, MO	0740 1250	ATC EVAL.	5872	322
2/17/83	L-1329	KANSAS CITY, MO WASHINGTON, DC	1425 1630	ATC EVAL.	3854	244
3/5/83	L-1329	WASHINGTON, DC OKLAHOMA CITY, OK	0655 0955	ATC EVAL.	5505	284
3/6/83	L-1329	OKLAHOMA CITY, OK SAN JOSE, CA	0750 0925	ATC EVAL.	6606	360
3/6/83	L-1329	SAN JOSE, CA SEATTLE, WA	1415 1600	ATC EVAL.	3303	181
3/7/83	L-1329	SEATTLE, WA WASHINGTON, DC	1230 1735	ATC EVAL.	9359	362

DATE	TYPE A/C	DEPARTURE ARRIVAL	LOCAL TIME	PURPOSE	FLIGHT COST	COST COMPARISON
3/14/83	L-1329	WASHINGTON, DC NASHVILLE, TN	0925 1111	ATC EVAL.	3303	167
3/14/83	L-1329	NASHVILLE, TN WASHINGTON, DC	1558 1733	ATC EVAL.	2936	167

Cost Benefit

These ATC Evaluations were conducted at a cost of $56,288 and resulted in intangible benefits of high value and wide application. Information obtained from these, and other ATC Evaluations conducted by other designated evaluators, provides the basis for policy changes required to meet FAA objectives in restoring the ATC system to full capability and capacity. Additionally, combining requirements as often as possible resulted in a cost avoidance of $2945 which would have been spent for commercial travel by the Administrator and, had that mode been used, the evaluations could not have been accomplished.

RUNWAY FRICTION STUDIES

Senator Andrews: Our report on appropriation last year provided $400,000 and recommended that FAA, in conjunction with NASA, study the correlation between stopping performance and runway friction measurements on wet and contaminated surfaces to determine if it is possible to predicate aircraft stopping performances using new technology friction measuring devices. Please bring us up-to-date on your progress in this area and the amount of funds already used or planned for this study.

Response: Presently, FAA follows Order 7110.10 which states that braking actions under all weather conditions should include input from: A) most recent landing of aircraft, B) vehicle test of runway braking action, and C) measurement by friction testing. The airport manager uses one or a combination of the above inputs to establish the runway braking action of nil, poor or good.

FAA has conducted friction surveys during the 1982/83 winter season using the SAAB friction tests and Mu-Meter tests at Dulles International Airport.

NASA also has an extensive program on runway friction and related aircraft performance for FY 83. The NASA efforts include the development of aircraft tires, landing gear systems, and experimentation to prove/disapprove the predicted theory of aircraft performance vs runway friction.

In FY 83, FAA in conjunction with NASA, will study runway friction measurement and related this to aircraft performance in the landing phase. This is a longer term effort and the overall results are not expected for several years. As the program progresses, considerations will be given to implementing any spin-off products which could improve operations under adverse runway conditions.

WEATHER STUDIES

Senator Andrews: Included in your FY-1982 supplemental for R,E&D was the committee's direction that at least $500,000 be contracted with such nationally recognized universities experienced in aviation weather as the University of North Dakota. Joint weather studies are conducted to better understand the kinematics of thunderstorm outflows, winds, and wind shear, and their effects on aircraft operation. Please describe your efforts in this area and provide your total obligations and the amount which went to the University of North Dakota.

Response: At this time we have contracted with the Universities of North Dakota, Chicago, Oklahoma, and M.I.T. to carryout a cooperative effort which is intended to determine the correlations between Doppler radar measurements and actual weather conditions observed from an aircraft. The duration of this effort is from the Spring of 1983 to the Fall of 1983. The total funding for the University of North Dakota is $250,000.

ACCESS HIGHWAY SURPLUS FUNDS

Senator Andrews: Your FY 1982 Supplemental Request transferred $10.0 million from the Construction, MWA appropriation to Operations, FAA appropriation. A revised FY 1983 Request reduced $2.0 million from the Construction, MWA appropriation. Now, we understand that there is a $3.1 million reprogramming request pending for the Construction, MWA appropriation. All the decreases are identified as excesses available to the project to connect the Dulles Access Highway to Interstate 66. How could you have $15.1 million in excess funds? This appears to be totally inaccurate estimating. How can we rely on the estimates in this FY 1984 Request?

Response: The estimates originally prepared for the project to connect the Dulles Access Highway to the Interstate 66 highway were based on Federal Highway Administration's experience and projected costs associated with construction of similar roadways. At the time the estimates were prepared for FY 1982, inflation in highway construction was near 20 percent per annum.

Subsequent to the preparation of the estimates, a number of significant economic changes have occurred that directly influenced the competitive bidding in the highway construction industry, i.e., lower fuel costs, general downturn in new construction starts, and substantial reduction in overall inflation. As a result, construction awards for phases 1, 2, and 3 of the project were substantially lower than the estimates.

The 3.1 million requested for reprogramming was potentially surplus last fall. However, we elected to retain a substantial contingency for change orders and claims since actual construction was less than one-third completed at that time. To date, approximately $1,400,000 in change orders and claims are pending. Work is now nearly two-thirds complete, and the contingency can now be reduced substantially based on the current status of construction.

AIRCRAFT REGISTRY

Senator Andrews: In the December 2, 1982, issue of the Congressional Record, Senators Boren and I stated that the delays encountered at the Aircraft Registry must be improved. We understand that you have a contract study underway to recommend solutions, but that the microfiche system you are installing is considered the best approach. We have been told this system, known as the Aircraft Registration Records Administration System (ARRAS) has cost $2.7 million to date and another $4.1 million is needed. The project began more than three years ago and will continue three more years. Please explain the connection between the study contract and the ARRAS.

Response: The FAA is developing a single Aviation Safety Analysis System (ASAS) which will enable the FAA to conduct timely and accurate aviation safety analysis. The objectives of the study of the FAA Aircraft Registry are to determine: (1) What information ASAS needs from the Registry system and the impact ASAS will have on that system; and (2) What short and long term actions are necessary, within current fiscal constraints, to increase efficiency and reduce costs at the Registry, to respond to public complaints, and to accommodate ASAS.

Early stages of the study disclosed that the Registry has an unprecedented backlog of unprocessed documents. Users of the Registry attribute this backlog, at least in part, to the ARRAS project. To accomplish its objectives, the study has looked into the ARRAS problem. The initial report contains suggestions for short term management improvements at the Registry. These include a recommendation that the Aeronautical Center have a disinterested organization assess the appropriateness of ARRAS for the retention of aircraft records, to be completed rapidly. This may, in fact, result in changes to ARRAS.

Senator Andrews: After spending all this money on ARRAS, could the study result in another approach?

Response: If the volume of documents presently filed at the Registry continues, and if the agency determines that the Registry should continue to retain documents as a long term requirement, then some substitute for voluminous paper files is undoubtedly needed. Recent technology has developed systems that may be even more desirable over the long term than the ARRAS as it exists today.

If the study concludes that the retention of documents is not necessary to the Federal function of registering aircraft and recording security interest in aircraft, there will be no future need for a system like ARRAS. In that event, a modified ARRAS could serve as the historical archive for documents filed under current regulations. The study of the Registry will be finished late this summer.

Senator Andrews: Why is it taking so long to microfiche the records?

Response: The ARRAS project began in June 1979. Based primarily on the physical size of the files and their estimated growth rate, the agency estimated that conversion would take 2 years. This technical estimate was made without any operating experience. During the first year, two contractors defaulted which caused a major program delay. In July 1980, based on actual experience, the estimated time for completing the contract was changed to 3.4 years. The actual conversion of aircraft records which is now underway began in May 1981.

The Registry provided a reasonable level of support to the contractor, while continuing to provide access to public users. This was done within available staffing, equipment, and facility resource allocations. The contractor's work was slowed and, on one occasion, stopped due to Registry resource constraints. Essentially, the contractor's rate of production now is controlled by the availability of Registry resources, so that the contractor now is operating at about 90 percent of capacity. In addition, the files have grown faster than initially estimated, and still are growing. In 1978, the Registry had 224 thousand files which required 13.4 million images. Today there are 279 thousand files which require 17 million images. Based on these factors, we now estimate the completion of the contract to be May 1986.

Senator Andrews: Why is it costing $6.8 million?

Response: The breakdown for contract expenditures is as follows:

Contract Labor: $2.7 million dollars. This equates to $450,000 each year for an average of 25 contractor employees for 6 years, or $18,000 for each employee-year. This includes profit for the contractor.

Equipment: $2.9 million dollars. This includes cost of camera processors, a microfiche duplicator, copiers to reduce oversize papers, microfiche storage and retrieval modules, and other material which will continue to be used at the Registry.

Supplies: $1.2 million dollars. With 17 million images being produced, the cost of each image (labor and material) is 22 cents. Supplies cost 7 cents for each image, or 32 percent of the total cost for each image. These are comparable to market costs.

TOTAL COST: $6.8 million dollars.

Senator Andrews: What benefits to the public who buy and sell aircraft are expected upon completion of the study contract and ARRAS?

Response: The study involves three activities. An ASAS requirements analysis and a subsequent system design development will provide accurate and timely safety information on aircraft. Changes resulting from recommendations for short term management improvements should lead to more efficient and better service to the public. Finally, the study will provide the FAA with the

basis on which to determine and publish a statement defining the appropriate Federal role in implementing provisions of Title V of the Federal Aviation Act of 1958 for the future.

Preliminary results of the study show that the Federal aircraft registration and recordation system has developed over the years largely as a result of ad hoc responses to problems. The ultimate benefit to the public of this study will be the adoption of a specific aircraft registration and recordation policy based on information regarding the needs of buyers and sellers of aircraft. The FAA's adoption of a statement defining the appropriate Federal role will result from one or more FAA actions which will be published in the Federal Register for public comments. This will give the interested public, including aircraft owners, manufacturers, dealers, financiers, and title companies, an opportunity to participate in the development of the statement of the Federal role.

The ARRAS feasibility study identified certain benefits which would accrue to public users from ARRAS, including:

- Simultaneous and faster access to multiple requesters because access is no longer restricted to one requester at a given time.

- Controlled access to the master record will provide greater assurance that aircraft records are not violated or altered.

- File security because the system provides for safe, duplicate copies of all files to be remotely stored which safeguards against the adverse impact of catastrophic activity.

- Data accountability through automated tracking of documents from receipt through processing.

- Improved service to remote users because duplication will be easier, and microfiche are more transportable, and less expensive.

CONTROLLER STAFFING STANDARDS

Senator Andrews: How far along are you now in developing new engineered staffing standards for air traffic controllers? What impact, if any, will the new standard have on your structured staffing concept?

Response: We have completed development on an interim version of a staffing standard for air traffic controllers which is based on facility position requirements and incorporates our structured staffing concept. The new technique employed is an improvement over the old staffing standards in that it is more reflective of the factors that actually drive staffing requirements and does not produce excessive requirements.

Work on a final staffing standard is not yet complete. We have identified several follow-on tasks to be accomplished for refinement to the interim standard. We plan on using the new staffing standard in the FY 1985 budget process.

GRANT PROJECTS

Senator Andrews: The conferees in conjunction with the FY 1983 appropriations gave FAA specific instructions on grant projects for Fairhope, Alabama, and Orlando International. What is the status of these grants?

Response: The status of these locations as of April 20, 1983, is as follows:

LOCATION AIRPORT NAME TYPE	REQUESTED	PLANNED/PROGRAMMED
Fairhope, Alabama Fairhope Municipal (GENERAL AVIATION)	No request on file. Expect request for runway extension site preparation.	Project to be considered for Jobs funds.
Orlando, Florida Orlando International (PRIMARY)	Terminal development, land for noise compatibility, strengthen taxiways, road.	Amendment to multi-year project - $2,127,417. Land - noise compatibility - $1,000,000.* Strengthen taxiway, groove runway and widen access road - $775,924.* Additional jobs legislation funding being considered.

* Project previously announced.

FIELD MAINTENANCE PERSONNEL

Senator Andrews: Your field maintenance personnel estimates for FY-1984 are the same as that authorized for FY-1983, how can you level your position needs at the same time you are vastly increasing the number of facilities to be maintained?

Response: Although we are increasing the number of facilities, the mixture has changed somewhat the last two years. The type of facilities we are commissioning are those in the navigation and landing aids category which do not generate substantial workload. In addition, we are currently in a major replacement program of tube type to solid state with remote maintenance monitoring. These program and other management initiatives have allowed us to reduce our field maintenance positions by 1599 since FY-1981. These programs eliminate the need for additional positions and coupled with future cost saving initiatives will allow us to make further positions reductions in the out years.

AIRCRAFT CERTIFICATION RESOURCES

Senator Andrews: We note that in FY 1983 you requested resources for an "Engineering and Manufacturing" organization and this year they appear to have been replaced by an "aircraft certification" group; are they the same? What has happened to the old organization and what are the duties of this new certification group?

Response: The "aircraft certification" activity identified in the budget submission is the same as the "Engineering and Manufacturing" organization indicated in the FY-1983 budget. We have made several functional changes that necessitated the organizational name change, including the establishment of the Aircraft Certification Directorates. These directorates perform technical policy and airworthiness project management for the aircraft certification programs. Each directorate has been assigned regulatory and policy responsibility for the design type certification of particular products and it issues type, production, and original airworthiness certificates for that product.

The four Aircraft Certification Directorates are as follows:

Product Accountability	Region	Geographic Responsibility
Small Airplanes	Central	Central, Great Lakes, and Southern
Transport Airplanes	Northwest Mountain	Northwest Mountain, Western-Pacific, and Alaskan
Rotorcraft	Southwest	Southwest
Engines and Propellers	New England	New England and Eastern

AVIATION SAFETY ANALYSIS SYSTEM (ASAS)

Senator Andrews: How much money has been spent to date on establishing your Aviation Safety Analysis System (ASAS) program? How much more will be required to complete it? Is it proving out as you expected?

Response: In CY 84, we expect to achieve initial operating capability for the Mark I (ASAS). To date we have expended 15.1M for this program, In this budget, we are requesting 5.7M for contractual services associated with our 1984 implementation. We expect 7.0M total will complete this effort; however, additional stages will require additional funding. The precise amounts will be determined as experience is gained with the system. ASAS, to date, is producing anticipated results. This is evidenced by components of the system which have already been implemented, including portions of the Field Office Modernization Program and the Enforcement Information System.

B-727 SIMULATOR

Senator Andrews: When do you expect delivery of your new B-727 simulator? When will it become operational? How much fuel do you expect to save through the use of this simulator in terms of gallons and dollars? How long will it take to amortize the total capital investment?

Response: Delivery of the B-727 simulator will begin in September 1984 with installation beginning in October 1984. Onsite acceptance testing will begin in December 1984 with the first operational use beginning in January 1985. Final acceptance of the simulator should occur in April 1985. The use of the B-727 simulator is expected to save at least 1.66 million gallons of jet fuel annually at the cost of $1.86 million ($1.01 a gallon). The economic payback (unescalated) occurs in just under 5 years.

Senator Andrews: Your Airports staffing has been reduced considerably over the past few years (from approximately 729 to 460) at the same time your grant program and other airport responsibilities have increased greatly. How are you able to absorb this workload? And what about your security and safety (including records) certification? Are these activities up-to-date?

Response: Program operations and performance procedures for the Administration of the Airports Program have been streamlined and productivity increased in recent years so that the reduced staffing levels can more effectively accommodate changing program workloads. Examples of these efforts are: implementing records data processing in several areas to reduce manual workload, reorganization of field and headquarters offices to increase efficiency, accepting sponsor certifications in many instances that plans and specifications are prepared in accordance with FAA standards, continual reviews of programs functions to identify areas to increase productivity and deferring accomplishment of some program areas not critical to current program performance. All safety and certification activities and inspections are up-to-date and in compliance with appropriate directives and regulations. We believe our requested staffing level (460) for FY 1984 to be adequate for the functions included in the Administration of the Airports Program. We shall, of course, remain sensitive to the staffing needs so as to satisfy the safety and efficiency requirements of the Airports Program.

FY 1984 LIQUIDATING CASH AND OUTLAYS

Senator Andrews: Your outlay projection accuracy has been rather poor since fiscal year 1981. Your outlay pattern to date for FY 1983 suggests this year will not be good. Why shouldn't we cut $100 million from your FY 1984 liquidating cash request and lower your outlay estimate accordingly?

Response: Outlay patterns have been severely distorted for the last two years primarily because of the late enactment of the authorizing legislation. In FY 1981 and FY 1982 authorizing legislation was enacted on August 13, 1981 and September 3, 1982 respectively. This caused grants to be awarded later than usual, which, in turn, delayed the sponsor's ability to translate the grants into contract awards. Compounding this problem was the fact that many contracts were awarded on the basis of preliminary engineering estimates, which necessitated going back and finalizing engineering plans before construction could begin.

Our FY 1983 outlay experience, to date, indicates that outlays are continuing to lag. However, we expect this situation to change during FY 1984 as obligation patterns become more normal. That is, as obligations are once again incurred throughout the fiscal year, outlays will increase.

The "Jobs Bill" raised our obligation limitation by $150 million for FY 1983. We expect this will increase outlays by $16.5 million in FY 1983 and $67.5 million in FY 1984 for a total of $84 million. However, because of the continued sluggish nature of outlays, we expect to absorb this $84 million increase in outlays, associated with Jobs Bill, without requesting an increase in FY 1984 liquidating cash. Therefore, we suggest that our FY 1984 liquidating cash request not be reduced.

GRANT OBLIGATION LIMITATION

Senator Andrews: Are you going to request grant obligation limitation increases for both FY 1983 and FY 1984?

Response: FY 1983 has already been increased through recently passed jobs legislation. The FY 1984 budget for the airport improvement program proposes an obligation limitation less than authorized. The amount requested reflects this Administration's determination that $700 million is sufficient for this area of development assistance at this time. The Emergency Supplemental Appropriation Act of 1983...the jobs bill...added $150 million for supplementary discretionary airport grants to bring the 1983 total to $750 million thus, FY 1983...when combined with the $700 million in this budget...results in a two year total for airport grants that exceeds the 83/84 authorization contained in the Airport and Airway Improvement Act of 1982, as originally enacted. Therefore, at this time we do not anticipate requesting obligation limitation increases for FY 1983 and FY 1984.

UNIVERSITY OF OKLAHOMA CONTRACT INSTRUCTORS

Senator Andrews: You are decreasing your Academy staff by 42 postions in FY 1984; yet, we understand you have had, and plan on continuing, contracting Oklahoma University instructors at the Academy. Does this make sense? What's the difference in cost of an "in-house" instructor versus a "contract" instructor?

Response: Since the air traffic controller developmental student load will decline to an annual attrition level of approximately 1,300 in FY 1984, it is possible to reduce both the "in-house" and "contract" instructors since our own controllers are needed in field facilities to control traffic and instruct the heavy influx of Academy graduates who will be progressing to full performance level status over the next several years. In terms of base salary cost, an Oklahoma University "contract" instructor costs about $5,000 less annually than an "in-house" instructor ($32,760 vs. $38,422). This difference remains approximately the same even after all other direct and indirect costs are considered.

"FULL FUNDING" F&E

Senator Andrews: It has come to the Committee's attention that it may be possible to reduce the funding requirements for the F&E Appropriation without impacting project schedules by changing the method of budgeting from "full funding" to "incremental funding". Would you please comment on the advantages and disadvantages of this proposal?

Response: The full funding concept of budgeting for construction and major acquisition projects is required by OMB, endorsed by GAO and favored by Congress due to its many advantages to requesting agencies, review authorities and the taxpayer. We are strongly committed to continuing the current method budgeting for the Facilities and Equipment appropriation. The specific advantages/ disadvantages of full and incremental funding are:

"FULL FUNDING"

- Current system has been highly acceptable to FAA, Congress, OMB, industry and users for many years.
- Provides for efficient and effective program management; total program defined/funded.
- Congress knows the total program costs when appropriating funds, not just the "tip of the iceberg."
- Assures funds are available when needed to complete program.
- Availability of funding to complete program appeals to potential bidders, stimulates competition and aids in obtaining better bids.
- Avoids added costs associated with unscheduled starts/stops which would be common with incremental funding.

- o Provides continuity of budget process for Congress/FAA.
- o GAO, as a result of government-wide studies, has identified many advantages to "full-funding";
  - — "improves many aspects of management"
  - -- "facilitates better estimates"
  - — "minimizes construction delays"
  - -- "provides cost savings in conjunction with multi-year contracting"

"INCREMENTAL FUNDING"

- o Major advantage of incremental funding is lower unobligated at the end of a year:
  - -- However, since funds remain invested in the Airport and Airway Trust Fund until expended, there is no additional cost to the taxpayer for F&E unobligated balances.
- o Major disadvantages of incremental funding:
  - — A more complicated and cumbersome annual budget process of multiple justifications for each project/program year after year until completed.
  - -- Increased administrative, program management costs due to multiple appropriations for individual projects.
  - -- A "line-by-line" equipment/hardware budget which will allow prospective bidders to know the precise funding availability for equipment buys, thereby targeting their bids accordingly.

FY-1982 F&E OBLIGATIONS

Senator Andrews: We note that in 1982, only $171 million was obligated against projected obligations of $276 million. This appears to be another indication of FAA's inability to accomplish its planned programs. Please explain to the Committee why the actual obligations were so much lower than anticipated and what actions you have taken to expedite program accomplishments.

Response: In 1982 the FAA encountered four major procurement slippages and these accounted for the majority of the obligation slippage. These programs were: ASR-9, FDIO, ILS, and ARTS-IIIA, and we expect to award all of these contracts during FY 1983. Initially, we had encountered NAS Plan implementation start-up problems, but most of them have been overcome. We now expect to proceed with the major components of the NAS Plan in a more timely manner.

Senator Andrews: Funds requested for FY-1984, $1 billion, are three to four times greater than funding requests of just two or three years ago. However, the 962 positions requested for F&E are the fewest ever for this account. Please explain to the Committee how you intend to accomplish a $1 billion program with 962 people.

Response: The implementation of a $1 billion program with essentially the some level of F&E people will be possible since the FAA intends to contract much larger dollar volume activities with individual vendors. In addition, a much greater degree of turnkey activity will be undertaken by the contractors.

SYSTEMS ENGINEERING CONTRACTOR

Senator Andrews: Last year FAA consolidated all of the engineering functions into one organization, Development and Logistics, as an initiative to implement the NAS Plan. The announced purpose of the reorganization was to accomplish the NAS Plan within existing personnel resources. There was no mention of an engineering contractor from private industry. Now, FAA proposes a systems engineering contractor which appears to duplicate many of the engineering efforts previously done in-house. How many people do you expect to eliminate as a result of this systems engineering contract?

Response: The recent reorganization of the FAA engineering staff has resulted in assembling the technical staffing required to implement the NAS plan. As for the request for an engineering contractor from industry, basic planning for the upgrading and modernization of the ATC was based not only on in-house staffing but also various contractual engineering support for specific tasks, Basically, the systems engineering and integration contract will incorporate many of the contractual engineering support efforts.

A phase down of the current contractual engineering support will be realized as the systems engineering and integration contractor build up both staffing and ATC systems know how.

COMBINING R,E&D AND F,E&D APPROPRIATIONS

Senator Andrews: Last year FAA again submitted its F,E&D budget request to fund activities from the Trust Fund. This Committee retained your F,E&D account as a separate appropriation financed with General Treasury funds. Why do you persist in combining this account with R,E&D when it is the intent of this Committee to fund F,E&D activities from general receipts rather than from taxes collected in the Trust Fund?

Response: FAA's FY 1984 budget submission for programs covered by the Facilities, Engineering and Development Appropriation is fully consistent with the requirements of Public Law 97-248, the "Tax Equity and Fiscal Responsibility Act of 1982." Title V, Section 506(2)(b) of the Act treats Facilities, Engineering and Development as a part of Research, Engineering and Development, and directs that such funds be appropriated from the Trust Fund. Furthermore, by combining these two appropriations, administrative workload for all reviewing authorities (OST, OMB and Congress) will be reduced.

CONTINUING RESOLUTION

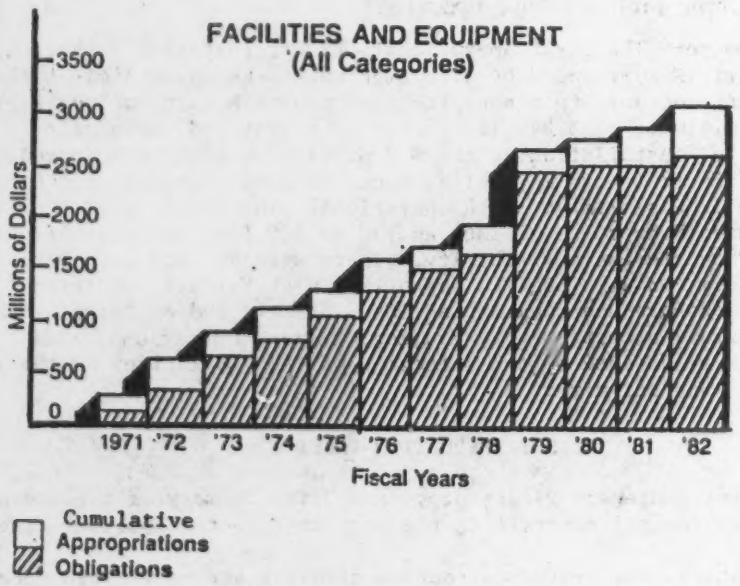
Senator Andrews: You are planning to let a very major contract for your advanced automation program out of your FY 1984 R,E&D appropriation. If you had to operate under a continuing resolution, would it affect your programs?

Response: If we were required to operate under a continuing resolution during FY 1984, major elements of our R,E&D program would be significantly affected. In FY 1984 our R,E&D program requirements are more than double the FY 1983 program. A large part of this increase is in the Advanced Automation Program which increases fourfold from $39.5 million in FY 1983 to $157 million in FY 1984. Under normal guidance provided under a continuing resolution, major contracts for procurement of Host systems and contracts for the design of the Advanced Automation System could not proceed. This would cause overall program delays and result in increased costs. Other critical programs, including aviation weather, aircraft safety and Automated En Route ATC (AERA) would also be affected.

F & E OBLIGATIONS

Senator Andrews: Over the years, how successful has the FAA been in obligating facilities and equipment funds that have been appropriated by the Congress? Give us a recap for the record for the past five and six years of budget authority vs. obligations.

Response: We have a chart which indicates appropriation and obligation activity for the past twelve years.



MLS SITING CRITERIA

Senator Andrews: One of the greatest potential benefits of MLS is its adaptability to a wide range of site conditions thus reducing the amount of site preparation costs required as compared to regular Instrument Landing Systems (ILS). Has the FAA published the siting criteria for MLS? What is reasonable estimate of the average site preparation cost for MLS. Compare that to historical averages for ILS.

Response: The initial siting criteria for MLS has been published in FAA Report #DOT/FAA/PM-83/2 dated February 1983. This report is intended to provide guidance to the eventual MLS production contractor who will be responsible for performing a full "turnkey" installation, including the site engineering activities. There is no site preparation required for MLS in order to achieve satisfactory system performance.

In the case of ILS, the amount of site preparation depends on the site conditions and these costs vary substantially from site to site. It is difficult to obtain historical data on ILS site prepration since, in the past, this work was usually accomplished by the airport sponsor as a part of an airport improvement project. During preparation of the MLS cost/benefit study (FAA Report No. FAA-EM-80-7 dated June 1980), FAA obtained data on a cross section of ILS locations. The site preparation costs for these locations ranged from $0 to over $1.0 million. Based on this data an average cost of $90,000 was used for a nominal site and $230,000 for a difficult site.

Senator Andrews: Several small communities are buying and installing a version of MLS equipment now available in the market. Detail for the record where these installations are and what is any unusual siting problems have occurred?

Response: The first operational MLS was installed at Valdez, AK. The airport is surrounded by mile high mountains which limited the instrument procedure to a non-precision approach using a localizer/DME with minimums of 3,840 feet decision height and three mile visibility. Installation of the MLS provided a precision approach for STOL aircraft with initial minimums of 1000 feet decision height and two mile visibility. With operational experience, a STOL operator could expect to receive minimum as low as 500 feet decision height and three quarter mile visibility. There were no site preparation costs associated with the MLS installation at Valdez. Additional installations are underway at Cadillac, Sturgis and Bellaire, Michigan. Site preparation costs, e.g., grading, cutting operations, tree removal, were avoided by the selection of the MLS in lieu of the ILS at Sturgis and Bellaire.

FLIGHT INSPECTION FLEET

Senator Andrews: Please provide a brief summary of the average duty cycles for all aircraft in the carrier flight inspection fleet.

Response: The flight inspection aircraft are maintained under a segmented maintenance program and no time is lost for scheduled maintenance. All maintenance is performed between scheduled flights We have 30 flight inspection aircraft; 4 aircraft have a service

life of 30,000 flight hours, 15 aircraft have a service life of 10,000 flight hours and the remaining 11 aircraft have no service life limit. These 11 aircraft have no limitation to service life because of the manufacturing and certification process used by the aircraft company.

The approximate annual flight hour utilization of flight inspection aircraft are: 24 light-twin aircraft, 865 hours each, 5 medium-range aircraft, 535 hours each, and 1 long-range aircraft, 300 hours. This variance in average utilization is the result of differences in operational capabilities and efficiencies of the different aircraft types in the FAA flight inspection fleet. The FAA presently imposes many short-term operational limitations and/or restrictions in order to reduce costs and fuel comsumption as much as possible. These limitations will be unnecessary when the new fuel efficient aircraft are fully operational.

SPECIAL MISSION AIRCRAFT

Senator Andrews: You have requested two special mission turboprop aircraft (p. 292) for flight inspection of navigation aids which characterized as difficult sites. Please define difficult sites and exlain why special aircraft are needed.

Response: Difficult sites are those where terrain conditions require steep approaches or climb gradients for missed approach or takeoff. These locations often involve runways which are less than 4,000 feet in length. Additionally, the terrain around these locations usually causes some distortion in the signals from the navigation facilities. The distortion can be corrected if the source, generally reflections, can be identified. The special mission aircraft will be equipped with the devices and antennas necessary to identify reflecting sources.

Senator Andrews: On that same page you are asking for four other aircraft (light twin turboprop) - two of which are to replace more costly turbine powered planes in Alaska and two that will be backup planes for flight inspection in the lower 48 states. What cost justification is there for backup aircraft?

Response: The backup aircraft are needed in order to support the projected increases in the flight inspection workloads resulting from the introduction of new navigation aids into the National Airspace System. They will also perform much of the work presently being accomplished by turbojet aircraft thus limiting their use as much as possible to reduce operating costs and fuel consumption.

ASBESTOS INSULATION

Senator Andrews: Congress provided funds in FY 1983 to support removal or containment of insulation materials that contained unsafe levels of asbestos fibers from three en route centers. Test at the centers showed that the concentration of airborne asbestos particles was high enough to exceed OSHA standards in certain work areas. What progress is the FAA making in controlling asbestos at locations where dangerous concentrations were found? Describe the monitoring program that the agency has for verifying safe levels of the substance in the air where employees must work.

Response: Funding has been provided to each of the three locations to encapsulate the hazardous material in specially developed coating material to eliminate the hazard until it is removed in conjunction with major building modernization/expansion programs in FY-85 thru 87.

A program developed and administered by our Office of Aviation Medicine requires that air sampling tests be performed on an annual basis in those areas where the potential for possible employee exposure exists.

Senator Andrews: What long-term solutions are planned?

Response: Major facility modifications are planned at all ARTCC Centers in conjunction with the Advanced Automation System implementation in the FY-85 thru FY-87 period. All asbestos containing material will be removed at that time. The removal effort will comply with all OSHA and EPA requirements for handling and disposal of asbestos material.

CERTIFICATION OF B-767

Senator Andrews: Please state the FAA policy toward certification of the twin-engine B-767 wide body aircraft for transoceanic flights? How does that policy differ from that expressed by European governments regarding transoceanic flights for the Airbus A-300 series aircraft?

Response: The A-300 is a two-engine airplane similar to the new Boeing 757 and 767. The current U.S. regulatory requirements concerning long-range operations by two-engine airplanes over water or uninhabited terrain are contained in Federal Aviation Regulations (FAR) Part 121. However, most foreign air carriers operating to the United States observe the standards contained in Annex 6 to the Convention of International Civil Aviation and not Part 121. Recently, there has been an increasing interest within the United States and some foreign states to reexamine these standards.

Last December, members of the Administrator's staff met informally with a group of aviation experts from several major aviation states, aircraft manufacturers, and engine manufacturers to discuss this issue. At this meeting, most members agreed that the international standards pertaining to overwater flights possibly could be modified and improved. However, in view of the catastrophic effect of a double engine failure, loss of any system which is essential to flight, or other factors such as fire containment/suppression, the members also agreed that present standards could only be relaxed after the completion of a careful study. At the conclusion of the meeting, it was agreed that individual members, especially airframe and engine manufacturers, would examine the implications of the principles established at the meeting and that these principles would be thoroughly examined in light of the available statistical data on in-flight engine shutdowns. It is intended that the results of these studies be circulated in the near future for review and analysis by all members prior to convening a second meeting to continue the discussions.

In view of that and until such time as these safety concerns are thoroughly documented and adequately addressed, the FAA

is inclined not to authorize a U.S. certificate holder to operate two-engine airplanes on extended overwater flights in excess of that currently permitted.

FAR Section 121.161, in part, prohibits a two-engine airplane (regardless of the type of propulsion) from operating over a route that contains a point farther than 1 hour flying time (in still air at normal cruising speed with one engine inoperative) from an adequate airport unless authorized by the Administrator. An adequate airport is one which meets the requirements of Section 121.97 or Section 121.117, as appropriate.

Annex 6 to the Convention of International Civil Aviation does not contain a limitation (1 hour flying time) such as that contained in the FAR. Supplemental information in the form of an attachment (Attachment C) to Annex 6 does suggest that airplanes remain within 90 minutes of a suitable airport. However, attachments to the Annexes are illustrative examples only and not Standards and Recommended Practices.

We are aware of at least one government (Federal Republic of Germany) which has authorized one of its operators to operate two-engine aircraft (specifically the A-300) across the Atlantic Ocean.

AIR TRAFFIC RESTRICTIONS

Senator Andrews: In your testimony last week before Congressman Lehman's Subcommittee on Transportation you said existing restrictions on air traffic will be reduced or eliminated by December 1983 with the exception that pre-strike flow control methods and other measures to prevent excess traffic build up during peak hours will be maintained. Does the General Aviation Reservation system have any continuing utility now that capacity is being restored?

Response: GAR continues to serve a vital role in controlling the traffic peaks within the system specifically in those areas where capacity has not been completely restored. As the air traffic control systems capacity is increased the General Aviation Reservation (GAR) system will be phased out.

Senator Andrews: You indicated also that on April 24 system capacity will be increased by an expansion of the FAA's Tower En Route Control Program to eventually all metropolitan areas with nearly 2000 published routes to be available. Describe for the record how the traffic workload at the most overburdened Centers relieved by this program.

Response: Prior to the strike of August 3, 1981, approximately a hundred terminal air traffic control (ATC) facilities were providing Tower En Route Control (TEC) service. Immediately after the strike and during the time since, we have expanded the TEC network to include 179 terminal facilities and 1,945 published routes as of April 14. The relief provided to critically staffed en route facilities was two fold: One, lower levels of airspace previously delegated to these en route facilities was redelegated to selected terminal facilities. This removed an undetermined, but significant, number of aircraft/flights from en route airspace and

lessened the traffic load upon those en route facilities. In some Center areas traffic was reduced by hundreds of flights a day. Two, the controllers that were in the en route facilities that would have been required to control that airspace if it had not been redelegated, were redirected to other areas and the remaining sectors. This reduced the demand upon the limited resources in those critically staffed facilities. Some terminal facilities estimated a daily traffic increase double and triple pre-strike figures. For the month of March 1982, Detroit Tower averaged 173 flights a day, Colombus, Ohio, Tower averaged 188 flights a day, Dayton Tower averaged 194 flights a day, and Philadelphia Tower averaged 309 flights a day. The expanded TEC program provided an alternative access to the National Airspace system aside from the en route structure.

Senator Andrews: Currently long range radars provide approach control service to small airports that do not qualify for TRACONs or where towers have been closed. What will be the effect of not having primary radar service at these small airports where the likelihood is greater that airplanes do not carry beacon transponders?

Response: The current radar services provided to IFR aircraft from our Long Range Radar sites are dependent upon the surveillance radar coverage. Aircraft operating into and out of these small airports are issued IFR clearances based on nonradar separation standards until the aircraft reaches an altitude that is within the radar coverage. The use of a transponder in an aircraft is directly dependent upon the coverage from our radar site. We do not anticipate any change in our Long Range Radar coverage, therefore, these aircraft will be provided the same air traffic service that they receive today.

FY-1983 F&E OBLIGATIONS

Senator Andrews: The F&E program for FY 1983 was funded at $625 million. What are projected obligations for this fiscal year? Are there any programs having major slippages?

Response: We expect to be right on our target of $354 million of obligations by the end of the fiscal year.

Senator Andrews: In response to the Federal Radionavigation Plan of 1982, the FAA sent to DOT a set of preliminary recommendations regarding the selection of the future radionavigation system mix. These recommendations are to be matched with ideas from the Department of Defense so a national decision can be made in 1986. In the meantime, a joint preliminary recommendation from DOT/DOD is scheduled for delivery to OMB and Congress in 1983. Tell the Subcommittee what you can of the status of the joint DOT/DOD preliminary recommendations.

Response: As stated, the FAA has submitted its preliminary recommendation on the future radionavigation system mix to DOT. The DOT Navigation Working Group has prepared a combined DOT preliminary recommendation and sent it to the DOT Navigation Council where it is now being reviewed. When this recommendation is approved, it will be exchanged with DOD for their preliminary recommendation. During the summer, a joint DOT/DOD preliminary recommendation will be prepared by joint meetings

of the DOT Navigation Working Group and the DOD Positioning/ Navigation Working Group. This joint recommendation will then be presented to DOT and DOD for approval. Approval is expected in the fall in time for the preliminary recommendation to be published in the 1984 edition of the Federal Radionavigation Plan (FRP).

LEASED COMMUNICATIONS

Senator Andrews: The $15.76 million increase in leased communications funding requested in FY-1984 over FY-1983 ($164,678,000) is made up primarily of expanded program ($14.13 million) and only $1.62 million set aside for "other program cost adjustments." Does this mean the FAA no longer expects dramatic cost swings to be generated by the AT&T breakup? Please explain.

Response: The $1,625,000 "other cost adjustments" is the net amount required in FY-1984 for continuing services begun in FY-1983. The increase was impacted by significant decreases in the amount of $13,400,000; namely, $9,400,000 for one-time nonrecurring costs incurred in FY-1983 and cost savings of $4,000,000 realized as a result of trunking leased line services onto FAA-owned radio links and multiplexing and renetworking leased telephone lines.

These cost savings and the competitive environment now available in almost all areas of telecommunications have helped to offset some of the cost increases that would have otherwise impacted this program.

ADVANCED AUTOMATION SCHEDULE

Senator Andrews: Is your advanced automation program still on its original schedule? If not, what problems have you encountered? How much slippage has there been? What actions are you taking as a result?

Response: The Advanced Automation Program Schedule has slipped on the order of 3-7 months. These slips are due in part to minor revisions in the development and test schedules that resulted from refinements in our estimates of the duration of various program phases and to a somewhat longer program startup time than anticipated. For example the Host Request Request for Proposals (RFP) release, originally planned for mid-November 1982, actually occurred in late December 1982. The Advanced Automation System RFP was schedule to be released in mid-February 1983, and is now expected to be issued in late April 1983.

MLS AVIONICS COSTS

Senator Andrews: Please update for the record the information which appears on page 539 of last year's hearing?

Response: Referring to your question regarding page 539 of last year's hearings, the MLS avionics costs shown on page 540 are still considered to be accurate.

Senator Andrews: Please update for the record the information which appears on pages 576-577 of last year's hearing.

Response:

NATIONAL AIRSPACE SYSTEM PLAN
FACILITIES AND EQUIPMENT
PRICED IN 1983 CONSTANT DOLLARS
($ IN MILLIONS)

	FY 1984	FY 1985	FY 1986	FY 1987/ 1988
Air Route Traffic Control Facilities	167.5	448.6	459.0	
Long Range Radar	(66.5)	(101.2)	(193.8)	
Automation Equipment	(46.7)	(216.2)	(65.8)	
Other Center Facilities	(54.3)	(131.2)	(199.4)	
Airport Traffic Control Facilities	441.3	379.2	335.5	
Terminal Area Radar	(230.0)	(259.1)	(242.1)	
Terminal Area Automation	(68.1)	(0.0)	(0.0)	
Other Terminal Facilities	(143.2)	(120.1)	(93.4)	
Flight Service Facilities	141.5	108.5	64.2	
Air Navigation Facilities	80.3	134.8	139.8	
VORTAC	(13.2)	(7.9)	(11.0)	
Low and Medium Frequency Facilities	(9.4)	(7.4)	(6.8)	
Instrument and Visual Landing Systems	(57.7)	(119.5)	(122.0)	
Housing, Utilities and Miscellaneous Facilities	71.8	174.2	157.6	
Aircraft and Related Equipment	23.2	14.1	23.4	
Development, Test and Evaluation Facilities	24.1	13.9	10.6	
Total by year	949.7	1,273.3	1,190.1	2,442.2

NATIONAL AIRSPACE SYSTEM PLAN
FACILITIES AND EQUIPMENT
PRICED IN INFLATED DOLLARS
($ IN MILLIONS)

	FY 1984	FY 1985	FY 1986	FY 1987/
Air Route Traffic Control Facilities	176.4	495.7	531.1	
Long Range Radar	(70.1)	(111.9)	(224.2)	
Automation Equipment	(49.1)	(238.8)	(76.1)	
Other Center Facilities	(57.2)	(145.0)	(230.8)	
Airport Traffic Control Facilities	464.6	419.0	388.1	
Terminal Area Radar	(242.1)	(286.3)	(280.1)	
Terminal Area Automation	(71.7)	(0.0)	(0.0)	
Other Terminal Facilities	(150.8)	(132.7)	(108.0)	
Flight Service Facilities	149.0	119.9	74.3	
Air Navigation Facilities	84.6	148.9	161.7	
VORTAC	(14.0)	(8.7)	(12.7)	
Low and Medium Frequency Facilities	(9.9)	(8.2)	(7.9)	
Instrument and Visual Landing Systems	(60.7)	(132.0)	(141.1)	
Housing, Utilities and Miscellaneous Facilities	75.6	192.5	182.4	
Aircraft and Related Equipment	24.4	15.6	27.1	
Development Test and Evaluation Facilities	25.4	15.4	12.3	
Total by Year	1,000.0	1,407.0	1,377.0	3,015.0
Total FY 1984-1988		6,799.0		

NATIONAL AIRSPACE SYSTEM PLAN
RESEARCH ENGINEERING AND DEVELOPMENT
PRICED IN 1983 CONSTANT DOLLARS
($ IN MILLIONS)

	FY 1984	FY 1985	FY 1986	FY 1987/ 1988
Air Traffic Control	73.8	55.8	39.1	
Advanced Computer	148.8	147.3	108.1	
Navigation	10.4	6.1	4.8	
Aviation Weather	13.6	13.4	13.8	
Aviation Medicine	5.8	5.0	5.0	
Aircraft Safety	16.9	13.3	12.7	
Environment	2.3	2.5	2.3	
Total by Year	271.6	243.4	185.8	303.0

NATIONAL AIRSPACE SYSTEM PLAN
RESEARCH ENGINEERING AND DEVELOPMENT
PRICED IN INFLATED DOLLARS
($ IN MILLIONS)

	FY1984	FY 1985	FY 1986	FY 1987/ 1988
Air Traffic Control	77.7	61.7	45.3	
Advanced Computer	156.7	162.8	125.1	
Navigation	11.0	6.8	5.6	
Aviation Weather	14.3	14.8	15.9	
Aviation Medicine	6.1	5.5	5.8	
Aircraft Safety	17.8	14.7	14.7	
Environment	2.4	2.7	2.6	
Total by Year	286.0	269.0	215.0	374.1
Total FY 1984-1988		1,144.1		

Senator Andrews: Please update for the record the information which appears on pages 510-522.

Response: The status of these facilities as of April 30, 1983, is as follows:

Airport Traffic Control Towers

As of April 30, 217 ATCT's were operating temporarily at reduced hours and 43 ATCT's were closed temporarily.

Legend:

V = VFR Control Tower

R = Radar Approach Control Facility

NR = Nonradar Approach Control Facility

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Alaska				
MRI	Anchorage (Merrill)	V	0600-2300	0600-2200
JNU	Juneau	V	Hours were reduced and since returned to normal (0700-2230)	
ADQ	Kodiak	V	Hours were reduced and since returned to normal (0630-2200)	
VDZ	Valdez	V	Facility was decommissioned effective 1/21/83	
State: Alabama				
HSV	Huntsville	R	Hours were reduced and since returned to normal (0600-2300)	
MOB	Mobile	R	24	0600-2400
MGM	Montgomery	R	24	0600-2200
TCL	Tuscaloosa	V	0600-2100	Closed (9-1-81)
State: Arkansas				
FYV	Fayetteville	NR	Hours were reduced and since returned to normal (0600-2200)	
FSM	Fort Smith	R	0600-2400	0600-2200
HOT	Hot Springs	V	0600-2200	Closed (8-16-81)
PBF	Pine Bluff	V	0600-2200	Closed (9-8-81)
TXK	Texarkana	V	0600-2200	0600-2000
AWM	West Memphis	V	0600-2100	Closed (8-16-81)

State: Arizona

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
GYR	Goodyear (Phoenix/ Litchfield)	V	0600-2200	0700-2000
FLG	Flagstaff	V	0700-1900	Closed (9-5-81)
DVT	Phoenix (Deer Valley)	V	Hours were reduced and since returned to normal (0600-2100)	
SDL	Scottsdale	V	0600-2200	0600-2100
TUS	Tucson	R	Hours were reduced and since returned to normal (24 hours)	

State: California

BFL	Bakersfield	R	Hours were reduced and since returned to normal (0600-2300)	
CRQ	Carlsbad (Palomar)	V	0700-2200	0700-2000
CIC	Chico	V	0700-2100	Closed (9-20-81)
CNO	Chino	V	0700-2100	0700-2000
CCR	Concord	V	Hours were reduced and since returned to normal (0700-2200)	
EDW	Edwards (Edwards AFB)	R	0600-2400	0600-2000
EMT	El Monte	V	0700-2200	0700-1900 (Was closed and since reopened)
FAT	Fresno (Air Terminal)	R	24	0600-2400
FCH	Fresno (Chandler)	V	0800-2000	Closed (9-5-81)

State: California (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
FUL	Fullerton	V	0700-2200	0700-1800
HHR	Hawthorne	V	0700-2200	0700-1900
HWD	Hayward	V	0700-2300	0800-2000
IPL	Imperial	V	0700-1800	Closed (8-7-81)
POC	La Verne (Brackett)	V	0700-2200	0700-1800
TVL	Lake Tahoe	V	0700-2200	0800-2000
WJF	Lancaster (William J. Fox)	V	0700-2100	0800-1600 (Was closed and since reopened)
LVK	Livermore	V	0700-2200	0800-2000
MYV	Marysville	V	0700-2200	Closed (8-8-81)
MCE	Merced	V	0800-2000	Closed (8-15-81)
MOD	Modesto	V	Hours were reduced and since returned to normal (0600-2200)	
MRY	Monterey	R	24	0600-2300
APC	Napa	V	0700-2200	0700-2000
OAK	Oakland	R	South 24 North 0700-2200	24 0800-2000 (Was closed and since reopened)
OXR	Oxnard	V	Was closed and since returned to normal hours (0700-2100)	
PMD	Palmdale	V	0600-2200	0700-1700 Mon-Fri Closed Sat & Sun
PAO	Palo Alto	V	0700-2200	0900-1900 (Was closed and since reopened)

State: California (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
RAL	Riverside (Municipal)	V	0700-2200	0700-2000 (Was closed and since reopened)
SAC	Sacramento (Executive)	V	0600-2200	0700-2100
SMF	Sacramento (Metro.)	V	Hours were reduced and since returned to normal (24 hours)	
SNS	Salinas	V	0600-2200	0800-1900 (Was closed and since reopened)
SQL	San Carlos	V	0700-2200	0700-1900 (Was closed and since reopened)
SDM	San Diego (Brown)	V	0700-2200	0800-1900 (Was closed and since reopened)
SEE	San Diego (Gillespie)	V	0700-2200	0700-2100
SAN	San Diego (Lindbergh)	R	Hours were reduced and since returned to normal (24 hours)	
MYF	San Diego (Montgomery)	V	0700-2200	0700-2100
SJC	San Jose (Municipal)	V	24	0630-2400
RHV	San Jose (Reid-Hillview)	V	0800-2200	0800-2000 (Was closed and since reopened)
NZJ	Santa Ana (Coast TRACON)	R	24	0600-2400
SBA	Santa Barbara	R	0630-2230	0630-2100
SMX	Santa Maria	V	0630-2000	0800-1600 (Was closed and since reopened)
SMO	Santa Monica	V	0700-2300	0700-2000
STS	Santa Rosa (Sonoma Cty)	V	0600-2200	0700-2000
SCK	Stockton	R	0600-2300	0600-2000
TOA	Torrance	V	0630-2130	0800-2000
VNY	Van Nuys	V	24	0615-2245

State: Colorada (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
APA	Arapahoe	V	Hours were reduced and since returned to normal (0600-2200)	
PUB	Pueblo	R	0600-2300	0600-2200
State: Connecticut				
DXR	Danbury	V	0700-2300	0800-1600 Wed-Sun (Was closed and since reopened) Closed Mon & Tues
GON	Groton	V	0700-2300	0800-1800 (Was closed and since reopened)
HFD	Hartford (Brainard)	V	24	0700-2200
HVN	New Haven	V	0600-2400	0600-2200
State: Delaware				
ILG	Wilmington	V	24	0700-2300
State: Florida				
DAB	Daytona Beach	R	24	ATCT 24 TRACON 0600-2400
FMY	Fort Myers	R	0600-2400	0630-2230
FXE	Ft. Lauderdale (Exec.)	V	0700-2300	0700-2200
GNV	Gainesville	V	Hours were reduced and since returned to normal (0645-2230)	
HWO	Hollywood (No. Perry)	V	0600-2200	0800-2000
CRG	Jacksonville (Craig)	V	0700-2200	0800-2000
MLB	Melbourne	V	0600-0100	0600-2400

State: Florida (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
TNT	Miami (Dade-Collier)	NR	0700-1800 Mon-Fri 0700-1230 Sat & Sun	Closed (8-3-81)
OPF	Miami (Opa Locka)	V	Hours were reduced and since returned to normal (0700-2300)	
TMB	Miami (Tamiami)	V	0700-2300	0800-2100
PFN	Panama City	V	0600-2300	0600-2200
PNS	Pensacola (Regional)	R	24	0600-2400
PMP	Pompano Beach	V	Hours were reduced and since returned to normal (0800-2000)	
PIE	St. Petersburg (Clearwater)	V	Hours were reduced and since returned to normal (0700-2200)	
SPG	St. Petersburg (Whitted)	V	0700-2200	Closed (9-26-81)
TLH	Tallahassee	R	0700-2300	0630-2300 TRACON 0730-2300 ATCT
VRB	Vero Beach	V	0700-2200	0800-2000

State: Georgia

ABY	Albany	NR	0700-2300	0700-2300 Mon-Fri 0800-2000 Sat & Sun
AHN	Athens	V	0700-2200	Closed (9-1-81)
PDK	Atlanta (Peachtree)	V	0600-2300	0700-2300
AGS	Augusta	R	Hours were reduced and since returned to normal (0700-2300)	
SSI	Brunswick	V	1000-1800	Closed (8-12-81)

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State: Georgia (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
CSG	Columbus	R	Hours were reduced and since returned to normal (0700-2300)	
MCN	Macon (Robins/Wilson)	R/V	RAPCON 24 ATCT 0700-2200	0600-2300 Normal hours
SAV	Savannah	R	24	0600-2400
VLD	Valdosta	V	0700-2100	Closed (9-1-81)

State: Hawaii

ITO	Hilo	R	24	0600-2200
KOA	Kona	V	0600-2200	0600-2000
LIH	Lihue	V	0600-2200	0700-1800
MKK	Molokai	V	0600-1900	0700-1800 (Was closed and since reopened)

State: Idaho

CID	Cedar Rapids	R	0600-2400	0600-2300
SUX	Sioux City	R	0600-2300	0600-2200
ALO	Waterloo	R	Hours were reduced and since returned to normal (0600-2300)	

State: Idaho

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
BOI	Boise	R	24	0600-2400
IDA	Idaho Falls	V	0630-2200	0630-1830
LWS	Lewiston	V	0600-2200	0700-1900
PIH	Pocatello	V	0600-2200	0600-2100
TWF	Twin Falls	V	0600-2200	0700-2100 (Was closed and since reopened)

State: Illinois

ALN	Alton	V	0700-2200	0700-2100
ARR	Aurora	V	0700-2100	0800-2000
BMI	Bloomington	V	0600-2100	0700-2100
MDH	Carbondale	V	0700-2100	0700-1900
CMI	Champaign	R	24	0600-2200
DPA	Chicago (Du Page)	V	0600-2400	0600-2100
CGX	Chicago (Meigs)	V	0600-2400	0600-2200
MDW	Chicago (Midway)	R	24	24 Mon-Fri 0600-2400 Sat & Sun
PWK	Chicago (Palwaukee)	V	0600-2400	0600-2000 Mon-Fri 0700-2000 Sat & Sun

State: Illinois (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
DNV	Danville	V	0600-2300	Closed (9-1-81)
DEC	Decatur	V	0600-2400	0600-2200
CPS	East St. Louis	V	0700-2100	0900-1900
GBG	Galesburg	V	0700-2200	Closed (9-13-81)
MWA	Marion	NR	0600-2200	Closed (9-11-81)
MLI	Moline	R	24	0600-2300
PIA	Peoria	R	24	0600-2300
RFD	Rockford	R	24	0600-2300
SPI	Springfield	R	24	0600-2200

State: Indiana

BMG	Bloomington	V	0700-2100	0800-1600 Wed-Sun (Was closed and since reopened) Closed Mon & Tues
EVV	Evansville	R	24	0600-2200 Mon-Fri 0700-2100 Sat & Sun
FWA	Fort Wayne	R	24	0600-2400
MIE	Muncie	V	0700-2300	0900-1700 Mon-Fri (Was closed and since reopened) Closed Sat & Sun
SBN	South Bend	R	24	0600-2400
HUF	Terre Haute	R	24	0600-2200
LAF	W. Lafayette	V	0700-2300	0700-1900

State: Kansas

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
KCK	Kansas City (Fairfax)	V	0600-2400	0700-2200
OJC	Olathe (Johnson Co.)	V	0700-2300	0800-1800
SLN	Salina	V	0700-2300	0800-1800 Mon-Fri (Was closed and since reopened) Closed Sat & Sun
TOP	Topeka (Billard)	V	0700-2300	Closed (8-29-81)

State: Kentucky

LEX	Lexington	R	24	0630-2400
LOU	Louisville (Bowman)	V	0700-2300	0700-2100
SDF	Louisville (Standiford)	R	Hours were reduced and since returned to normal (24 hours)	
OWB	Owensboro	V	0600-2200	0600-2200 (FAA Contract Tower)
PAH	Paducah	NR	0600-2130	Closed (9-15-81)

State: Louisiana

ESF	Alexandria	V	Was closed and since returned to normal hours (0700-2100)	
BTR	Baton Rouge	R	24	0600-2300
LFT	Lafayette	R	24	0600-2200
LCH	Lake Charles	R	Hours were reduced and since returned to normal (0600-2200)	
MLU	Monroe	R	Hours were reduced and since returned to normal (0600-2200)	
NEW	New Orleans (Lakefront)	V	24	0600-2200
SHV	Shreveport (Barksdale/Reg)	R	24	ATCT 24 RAPCON 0600-2300
DTN	Shreveport (Downtown)	V	0600-2200	Closed (8-16-81)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Massachusetts				
BED	Bedford	V	Hours were reduced and since returned to normal (0700-2300)	
BVY	Beverly	V	0700-2300	0900-1700 Thurs-Mon (Was closed and since reopened) Closed Tues & Wed
FMH	Falmouth (Otis AFB)	R	24	RAPCON 0600-2200 ATCT-Military assumed operation
HYA	Hyannis	V	0600-2300	0600-2200
LWM	Lawrence	V	0800-1800	0900-1700 Thurs-Mon (Was closed and since reopened) Closed Tues & Wed
MVY	Martha's Vineyard	V	Operates summer months only	(Plan to reopen from 5/25/83-9/14/83 from 0700-2200)
ACK	Nantucket	V	0600-2300	0600-2100
EWB	New Bedford	V	0700-2300	0800-1600 (Was closed and since reopened)
OWD	Norwood	V	Hours were reduced and since returned to normal (0700-2300)	
ORH	Worcester	V	0700-2300	0900-1700 (Was closed and since reopened)
State: Maryland				
HGR	Hagerstown	V	0630-2230	0800-1600
State: Michigan				
ARB	Ann Arbor	V	0700-2300	0800-2000 Fri-Tues (Was closed and since reopened) Closed Wed & Fri
BTL	Battle Creek	V	0600-2230	0700-2100
BEH	Benton Harbor	V	0700-2100	Closed (9-1-81)

State: Michigan (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
DET	Detroit (City)	V	24	0700-2200
FNT	Flint	R	24	0630-2300
GRR	Grand Rapids	R	24	0600-2400
JXN	Jackson	NR	0700-2300	0700-2200
AZO	Kalamazoo	R	24	0630-2130
LAN	Lansing	R	24	0630-2300
MKG	Muskegon	R	24	0700-2300
PTK	Pontiac	V	0600-2400	0600-2200
MBS	Saginaw	R	24	0630-2300
TVC	Traverse City	V	0700-2200	0700-2100

State: Minnesota

DLH	Duluth	R	24	0600-2200 Tues-Fri 0600-2000 Sat-Mon
MIC	Minneapolis (Crystal)	V	0700-2200	0700-2100
FCM	Minneapolis (Flying Cloud)	V	0700-2300	0700-2100
RST	Rochester	R	24	0630-2230
STP	Saint Paul	V	0700-2300	0700-2200

State: Missouri

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
CGI	Cape Girardeau	V	0700-2100	Closed (8-29-81)
SUS	Chesterfield (Spirit)	V	0600-2200	0600-2200 Mon-Fri 0800-2000 Sat & Sun
JLN	Joplin	V	0600-2200	0700-1700 Mon-Fri (Was closed and since reopened) Closed Sat & Sun
MKC	Kansas City (Municipal)	R	24	0600-2300
STJ	St. Joseph	NR	0700-2200	0800-1800 Tues-Sat Closed Sun & Mon

State: Mississippi

GLH	Greenville	V	0600-2300	Closed (9-15-81)
HKS	Jackson (Hawkins)	V	0800-2400	Closed (9-8-81)
JAN	Jackson (Thompson)	R	24	0600-2200

State: Montana

BIL	Billings	R	24	0600-2300
GTF	Great Falls	R	24	0700-2200
HLN	Helena	NR	24	0700-2100
MSO	Missoula	NR	Hours were reduced and since returned to normal (0600-2200)	

State: North Carolina

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
AVL	Asheville	R	24	0700-2300
FAY	Fayetteville	R	24	0600-2400
HKY	Hickory	V	0700-2200	Closed (9-1-81)
ISO	Kinston	V	0600-2100	0700-2000 (Was closed and since reopened)
EWN	New Bern	V	0600-2100	Closed (8-12-81)
ILM	Wilmington	R	24	0600-2400

State: North Dakota

BIS	Bismarck	R	Hours were reduced and since returned to normal (0600-2400)	
FAR	Fargo	R	Hours were reduced and since returned to normal (24 hours)	
GFK	Grand Forks	V	0600-2200	0700-2100
MOT	Minot	V	Hours were reduced and since returned to normal (0700-2200)	

State: Nebraska

GRI	Grand Island	V	0800-2400	0800-1600 Mon-Fri (Was closed and since reopened) Closed Sat & Sun
LNK	Lincoln	R	24	0600-2200
OMA	Omaha (Eppley)	V	24	0630-2300

State: New Hampshire

LEB	Lebanon	V	0700-2300	0900-1900 (Was closed and since reopened)

State: New Jersey

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
ACY	Atlantic City	R	Hours were reduced and since returned to normal (24 hours)	
CDW	Caldwell	V	0800-2400	0700-1900
MMU	Morristown	V	0730-2330	0700-1700 (Was closed and since reopened)
TEB	Teterboro	V	24	24 Mon-Fri Closed 0200-0700 Sat and 2400-0700 Sun
TTN	Trenton	V	24	0630-2230

State: New Mexico

FMN	Farmington	V	0600-2200	0600-2200 (FAA Contract Tower)
HOB	Hobbs	V	0700-2300	Closed (9-8-81) (City assumed operation of to[illegible], 0600-2200)
ROW	Roswell	NR	Hours were reduced and since returned to normal (0600-2200)	
SAF	Santa Fe	V	0700-2300	Closed (9-8-81)

State: Nevada

VGT	Las Vegas (North)	V	0600-2200	0800-1700 (Was closed and since reopened)

State: New York

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
ALB	Albany	R	24	ATCT 24 TRACON 0600-2300
BGM	Binghamton	R	Hours were reduced and since returned to normal (24 hours)	
BUF	Buffalo	R	24	ATCT 24 TRACON 0600-2400 Mon-Fri 0700-0100 Sat & Sun
ELM	Elmira	R	24	0630-2200
ISP	Islip	V	24	0600-2300
ITH	Ithaca	V	Hours were reduced and since returned to normal (0630-2200)	
LGA	New York (La Guardia)	R	Hours were reduced and since returned to normal (24 hours)	
IAG	Niagara Falls	V	24	0700-2400
POU	Poughkeepsie	V	Hours were reduced and since returned to normal (0700-2300)	
ROC	Rochester	R	24	ATCT 24 TRACON 0600-2400
RME	Rome (Griffiss AFB)	R	Hours were reduced and since returned to normal (24 hours)	
SYR	Syracuse	R	24	ATCT 24 TRACON 0600-2400
UCA	Utica	V	24	0600-2400
HPN	White Plains	R	24	0700-2300

State: Ohio

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
CAK	Akron Canton	R	24	0600-2400
AKR	Akron (Municipal)	V	0600-2200	Closed (9-1-81)
CGF	Cleveland (Cuyahoga)	V	0600-2200	Closed (10-11-81)
BKL	Cleveland (Lakefront)	V	0700-2300	0700-2000
MFD	Mansfield	R	24	0600-2300
TOL	Toledo	R	24	ATCT 24 TRACON 0600-2400
YNG	Youngstown	R	24	0600-2400

State: Oklahoma

ADM	Ardmore	V	0600-2200	Closed (8-18-81)
PWA	Bethany (Wiley Post)	V	Hours were reduced and since returned to normal (0600-2200)	
CSM	Burns Flat (Clint/Sherm)	NR	0800-2100 Mon-Fri excpt holidays	0800-2000 Mon-Fri except holidays
WDG	Enid	V	0700-2300	Closed (8-25-81) (City assumed operation of tower, 0600-2100)
RVS	Tulsa (Riverside)	V	0700-2300	0700-2100 Mon-Sat 1000-1800 Sun

State: Oregon

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
EUG	Eugene	R	0600-2400	0600-2200
HIO	Hillsboro	V	Hours were reduced and since returned to normal (0700-2300)	
MFR	Medford	NR	24	0600-2200
PDT	Pendleton	V	0800-2200	Closed (8-23-81)
SLE	Salem	V	0700-2300	0700-1900
TTD	Troutdale	V	0700-2200	0900-1700

State: Pennsylvania

ABE	Allentown	R	24	ATCT 24 TRACON 0630-2300 Mon-Fri 0700-2300 Sat & Sun
ERI	Erie	R	24	0700-2300
CXY	Harrisburg (Capital City)	R	24	ATCT 0600-2400 TRACON 24
MDT	Harrisburg (Middletown)	V	Hours were reduced and since returned to normal (24 hours)	
LNS	Lancaster	V	Hours were reduced and since returned to normal (0630-2300)	
PNE	Philadelphia (North)	V	24	0600-2300
AGC	Pittsburgh (Allegheny)	V	24	0700-2300
RDG	Reading	R	24	0600-2300
AVP	Wilkes Barre	R	24	0630-2300
IPT	Williamsport	V	0630-2330	0630-2230

State: Pacific (American Samoa)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
TUT	Pago Pago	NR	24	0600-2200

State: Puerto Rico

MAZ	Mayaguez	V	0800-1600	Closed (8-9-81)
PSE	Ponce	V	1000-1800	Closed (8-9-81)
SIG	San Juan (Isla Grande)	V	0700-2100	1000-1800 Mon-Sat Closed Sun

State: Rhode Island

OQU	Quonset Point	R	24	0600-2400

State: South Dakota

RAP	Rapid City	V	Hours were reduced and since returned to normal (0600-2200)	
FSD	Sioux Falls	R	24	0600-2300

State: South Carolina

FLO	Florence	NR	0730-2300	0730-1700
GMU	Greenville	V	0800-2400	0700-2200
GSP	Greer	R	24	0700-2400
CRE	N. Myrtle Beach	V	0700-2000	Closed (8-12-81)
SPA	Spartanburg	V	0600-2200	Closed (9-8-81)

State: Tennessee

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
TRI	Bristol (Tri City)	R	24	0630-2300
CHA	Chattanooga	R	24	0600-2300
OKX	Knoxville (Downtown)	V	0730-2200	Closed (Was closed and since reopened temporarily for 1982 World's Fair and again closed)
BNA	Nashville	R	Hours were reduced and since returned to normal (24 hours)	

State: Texas

ABI	Abilene (Dyess/Muni)	R	RAPCON 24 ATCT 0600-2200	0700-2300 0700-2100
AMA	Amarillo	R	24	0630-2230
BPT	Beaumont	R	Hours were reduced and since returned to normal (0600-2200)	
BRO	Brownsville	NR	0700-0100	0630-2230
CLL	College Station	NR	Hours were reduced and since returned to normal (0600-2200)	
CRP	Corpus Christi	R	24	0600-2400
ADS	Dallas (Addison)	V	Hours were reduced and since returned to normal (0600-2200)	
RBD	Dallas (Redbird)	V	0700-2300	0700-2200
ELP	El Paso	R	24	0500-2400
HRL	Harlingen	V	0700-2300	0630-2000 (Was closed and since reopened)

State: Texas (Continued)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
DWH	Houston (David W. Hooks)	V	Hours were reduced and since returned to normal (0600-2200)	
HOU	Houston (Hobby)	R	Hours were reduced and since returned to normal (24 hours)	
LRD	Laredo	V	0800-1900	Closed (8-6-81)
GGG	Longview	R	Hours were reduced and since returned to normal (0600-2200)	
MFE	McAllen	NR	0600-2200	0630-2200 (Was closed and since reopened)
MAF	Midland	R	24	0600-2400
PVW	Plainview	V	0700-2100	Closed (8-21-81)
SJT	San Angelo	NR	Hours were reduced and since returned to normal (0600-2300)	
SSF	San Antonio (Stinson)	V	0600-2200	Closed (9-5-81)
TYR	Tyler	NR	0600-2200	0600-2100
ACT	Waco	R	Hours were reduced and since returned to normal (0600-2200)	
State: Utah				
OGD	Ogden	V	0600-2200	0700-2100
State: Virginia				
CHO	Charlottesville	V	24	0600-2400 Mon-Fri 0830-2300 Sat & Sun
LYH	Lynchburg	V	Hours were reduced and since returned to normal (0630-2230)	
PHF	Newport News	V	0700-2400	0600-2200

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Virginia (Continued)				
ORF	Norfolk	R	Hours were reduced and since returned to normal (24 hours)	
ROA	Roanoke	R	24	0630-2300
State: Virgin Islands				
STX	St. Croix	V	Hours were reduced and since returned to normal (0700-2200)	
STT	St. Thomas	R	0700-2100	0700-1900
State: Washington				
PAE	Everett	V	0700-2300	0800-2100
OLM	Olympia	V	0800-2000	0900-1700 (Was closed and since reopened)
PSC	Pasco	V	0600-2300	0600-2200
RNT	Renton	V	0800-2300	0800-2000
BFI	Seattle (Boeing)	V	24	0500-2400
SFF	Spokane (Felts)	V	0600-2200	0800-1800
TIW	Tacoma (Industrial)	V	Hours were reduced and since returned to normal (0800-2000)	
ALW	Walla Walla	V	0600-2200	0700-2100

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State: Wisconsin

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
ATW	Appleton	V	0700-2300	0700-1900 Mon-Sat Closed Sun
GRB	Green Bay	R	24	0600-2400
JVL	Janesville	V	0600-2300	0700-2100
LSE	La Crosse	NR	0600-2200	0600-2100
MSN	Madison	R	24	0600-2300

State: West Virginia

HTS	Huntington	R	24	0600-2300
LWB	Lewisburg	V	0900-1900	Closed (9-1-81)
MGW	Morgantown	V	Hours were reduced and since returned to normal (0700-2300)	
HLG	Wheeling	V	24	0700-2200

State: Wyoming

CPR	Casper	R	0600-2200	0700-1700 Mon-Sat 0800-1600 Sun
CYS	Cheyenne	NR	Hours were reduced and since returned to normal (0600-2200)	

Flight Service Stations

As of April 30, 3 FSS's are closed temporarily and 51 FSS's are operating temporarily at reduced hours of operation. These emergency actions were required due to personnel shortages, sick leave, contractually required vacation leave, resignations, and retirements, personnel transfers, and promotions over which we have limited control. The following is a list of state of the FSS's which are closed temporarily or operating at reduced hours temporarily as of April 30, 1983.

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
States			AUTH	REDUCED	FROM	TO	PUBL	REDUCED	
Arkansas	El Dorado FSS	I			12/1/81	Indef.	24	12	
	Harrison FSS	I			12/1/81	Indef.	24	16	
Arizona	Douglas FSS	I			12/18/81	Indef.	24	15	
	Yuma FSS	I			12/18/81	Indef.	24	15	
California	Blythe FSS	II			9/20/81	Indef.	24	10	
	Crescent City FSS	I			7/15/81	Indef.	16	10	
	Daggett FSS	I			9/20/81	Indef.	24	16	
	Imperial FSS	I			9/20/81	Indef.	24	16	
	Marysville FSS	II			12/18/82	Indef.	24	16	
	Montague FSS	I			12/9/82	Indef.	8	Closed	
	Thermal FSS	II			12/18/81	Indef.	24	15	
	Ukiah FSS	II			9/20/81	Indef.	24	15½	
Colorado	Akron FSS	I			9/12/81	6/1/83	24	16	
	LaJunta FSS	I			9/12/81	6/1/83	24	16	

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
States			AUTH	REDUCED	FROM	TO	PUBL	REDUCED	
Florida	Key West FSS	II			9/28/82	Indef.	24	16	
Iowa	Burlington FSS	II			2/14/82	Indef.	24	16	
	Ottumwa FSS	I			6/13/82	Indef.	24	16	
Kansas	Chanute FSS	II			5/30/82	Indef.	24	16	
	Dodge City FSS	II			5/1/82	Indef.	24	15	
	Emporia FSS	I			5/16/82	Indef.	13	10	Closed Tues
	Goodland FSS	II			1/23/83	5/23/83	24	16	
	Hill City FSS	I			3/29/82	Indef.	12	8	Closed Sat and Sun
	Salina FSS	II			7/1/82	Indef.	24	18	
Michigan	Houghton FSS	I			4/6/82	6/1/83	24	18	
Missouri	Vichy FSS	I			5/30/82	Indef.	24	16	
Montana	Cut Bank FSS	I			3/1/82	8/1/83	24	16	
Nebraska	Chadron FSS	I			5/29/82	Indef.	24	10	Closed Sun
	Sidney FSS	I			5/29/82	Indef.	16	8	
Nevada	Ely FSS	I			12/18/81	Indef.	15	8	

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
States			AUTH	REDUCED	FROM	TO	FULL	REDUCED	
Nevada	Lovelock FSS	I			9/20/81	Indef.	24	8	Closed Sat and Sun
	Tonopah FSS	II			12/18/81	Indef.	24	14½	
New Mexico	Carlsbad FSS	I			11/2/81	Indef.	24	12	
	Deming FSS	I			11/27/81	Indef.	24	12	
	Truth or Consequences FSS	I			11/21/81	Indef.	12	8	Closed Tues and Wed
	Tucumcari FSS	I			7/23/82	Indef.	24	16	
N. Dakota	Dickinson FSS	I			3/21/82	10/3/82	24	16	
	Jamestown FSS	I			3/22/82	6/1/83	24	16	
Oklahoma	Gage FSS	I			7/18/81	Indef.	24	14	
	Hobart FSS	I			12/1/81	Indef.	24	12	
	Ponca City FSS	I			4/4/82	Indef.	24	16	
Oregon	Baker FSS	I				6/1/83	24	16	
S. Dakota	Watertown FSS	I			7/3/82	6/1/83	24	16	
Texas	Alice FSS	II			3/20/83	Indef.	24	16	
	Childress FSS	I			1/10/82	Indef.	24	12	

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
States			AUTH	REDUCED	FROM	TO	PUBL	REDUCED	
Texas	Cotulla FSS	I			11/11/81	Indef.	16	Closed	
	Dalhart FSS	I			12/1/81	Indef.	24	8	
	Mineral Wells FSS	I			10/16/81	Indef.	16	8	Closed Sat and Sun
	Palacios FSS	I			12/1/81	Indef.	24	12	
	Wichita Falls FSS	II			1/8/83	Indef.	24	16	
	Wink FSS	I			12/1/81	Indef.	24	8	
Washington	Ephrata FSS	I			9/82	9/5/83	16	8	
W. Virg.	Morgantown FSS	II			4/17/83	8/14/83	24	16	
Wisconsin	Lone Rock FSS	I			3/6/83	Indef.	8	Closed	
Wyoming	Rock Springs FSS	II			3/1/82	6/1/83	24	17	

Senator Andrews: Is the increasing importance of airway science strictly an American phenomenon, or does this reflect a global situation?

Response: There is an increasing and critical global importance of airway science not only for our nation's airports and airways systems but there is a great potential for exporting our air traffic control system and engineering technology to developing countries. This market in Africa, the Near East, Mexico, Latin America, and the Pacific Basin countries is developing rapidly as they move forward in building airports, air transportation, and air traffic control systems in their respective countries.

Senator Andrews: What do you see to be the role of the United States in the development of airway science vis-a-vis foreign, and especially developing countries?

Response: The United States must prepare to move boldly toward assuming a more positive role in staying "ahead of the curve" in the aviation and computer technology field. We have traditionally had the reputation of being a leader in aviation and airway system technology. Other countries of Europe and Japan are intensifying their commitment to aerospace and aviation technology and will in turn be more aggressive in pursuing the sale of their new technology products to the developing countries' market. The airway and related computer science educational commitment of the FAA must be fulfilled and assured so that those universities, colleges and higher education institutions can look forward to the required facilities and equipment funding needed to carry out our airway science curriculum objectives. This is of particular importance to those institutions who have demonstrated an interest in and commitment to the FAA's airway science program.

Senator Andrews: Please submit for the record the recent proclamation concerning the air and space bicentennial, along with a list of the members, objectives, and other pertinent facts pertaining to the bicentennial. Also include whatever commitments or other proposals which have been made by the FAA regarding the bicentennial, with specific reference to any dollar amounts or use of personnel.

Response: Attached you will find information you requested relating to the Air and Space Bicentennial information we obtained from the United States Organizing Committee, a private corporation. Also attached is the proclamation issued by President Reagan declaring 1983 the year of the Air and Space Bicentennial in the United States.

While the Federal Aviation Administration strongly supports the objectives of the USOC -- to celebrate and commemorate mankind's entry into the era of flight -- we currently have no commitments with the USOC beyond providing whatever support and encouragement we can, consistent with the mandate of the Federal Aviation Administration and budgetary considerations. The FAA is

considering possible budget proposals and, with the concurrence of Secretary of Commerce Baldridge and NASA Administrator Beggs, would administer a small fund to support the Bicentennial effort. We believe that the Bicentennial year, which actually will run through June 24, 1984, the Bicentennial of the first American flight in a balloon, will have a stimulative effect in promoting the U.S. Aerospace industry and U.S. preeminence in that industry. It is for these reasons that we want to do all we can to encourage the U.S. celebration of the event.

To date, the FAA has no staff specifically assigned to Bicentennial efforts, other than my designation of Edmund Pinto, Assistant Administrator for Public Affairs, to be the FAA's liaison with the USOC. In that capacity he has attended numerous meetings and participated in discussions of programs that the USOC might undertake.

[CLERK'S NOTE.—The document referred to is available for inspection in the subcommittee files.]

WORK FORCE REQUIREMENTS

Senator Andrews: What estimates do you have of the number of qualified people that will be required in the work force of the entire aviation and aerospace industry, including the FAA, to meet the emerging requirements of a modernized airspace system?

Response: While we are not in a position to venture a guess as to future industry work force needs, our own plans in the FAA are to hire at an annual replacement level of about 2,000 in our major technical specialty areas, about 25% of which we expect will consist of graduates of college and university airway science degree programs.

FUNDING ASSISTANCE TO HIGHER EDUCATION INSTITUTIONS

Senator Andrews: The FAA has stated on a number of occasions that in order to meet the domestic and international objectives of aviation and airway science, it will be necessary that funding be made available to higher education institutions which have demonstrated the capability and commitment to the improvement of air science. Do you have any ideas on how this might best be achieved? What would be your reaction to a demonstration grant program in this regard?

Response: It is our belief that it is the responsibility of this nations' colleges and universities to provide appropriate educational opportunities and programs to meet the needs of both the aviation industry and the FAA. While we in the FAA hope to create an attractive job market and persuade higher education institutions to produce appropriately qualified graduates for our needs, we feel it best to rely on the private sector or state and local government to assist with financing the establishment and operation of such programs.

Senator Andrews: Please submit for the record the appropriate bill language which would be necessary to establish such a demonstration program.

Response: We will be happy to provide the committee with draft bill language. It will be forwarded, under separate cover, as soon as it is prepared.

Questions Submitted by Senator D'Amato

FLIGHT SERVICE STATION CONSOLIDATION

Senator D'Amato: Mr. Helms, the flight service stations throughout this nation provide essential services to the general aviation community, such as accepting flight plans, disseminating aviation weather information and assisting pilots in distress.

Both the original and revised National Air Space System Plan propose a consolidation of the 317 flight service stations in the nation into 61 Automated Flight Service Stations (AFSSs). It is my understanding that the FAA has begun the process of consolidation.

A February 16th GAO Report raises some serious questions as to this proposal. First, the report questions the degree of acceptance among general aviation pilots of the automated flight services the new stations would offer.

Has the FAA done a more recent study than the 1976 study alluded to in the GAO Report, respecting the acceptance among general aviation pilots of automated flight service stations?

If so, what were the findings of this study?

What were the findings of the 1976 study?

Response: Yes we have collected some additional information regarding user acceptabilities of automation techniques.

Information collected in association with the test Voice Response System (VRS) currently operating in Columbus, Ohio and Washington, D.C. indicates significant user acceptability of automation techniques. The two most repeated questions voiced by users are "when will additional products be added?" and, "when will FAA implement such service nationwide?". As indicated earlier we plan to update this area in the near future with regard to user operated terminal availability and cost.

We expect 70% of the Flight Service Automation System (FSAS) demand will be satisfied through direct access devices with approximately 40% accomplished via terminals and 30% satisfied through VRS. These percentages are based on engineering estimates and operational considerations regarding the capabilities of each mode of access. For example, pilot access by terminals, even non-graphics devices, can provide all data necessary for a complete briefing and flight plan filing. VRS on the other hand can provide sufficient data for VFR, local and some itinerant briefings and has been demonstrated to reduce the time a pilot must spend with a specialist. These utilization concepts have been combined with data available from the existing system and formulated into engineering estimates. For example, at FSS's where a transcribed broadcast today is kept current and contains all the products

necessary for local briefing, in excess of 90% of local briefings are provided by recordings and not specialists. Since VRS will automatically generate these messages in 1995, we assume very high percentages of these type of briefings will be provided by VRS.

Senator D'Amato: The GAO has done a recalculation of the cost/benefits of the consolidation plan and suggests that the FAA do likewise before continuing on with the plan. GAO's recalculation shows that consolidation might actually increase not decrease costs to the Government. Is the FAA doing the recalculation suggested by GAO?

Response: The cost analysis accomplished by the FAA in 1978/79, which determined that automation/consolidation was a cost effective solution to the FSS dilemma, was a valid analysis based on the operational scenario and technical data pertainent at that time. We are currently fine tuning that analysis to account for the impact of lower projected demand, leased buildings, and revised communications rate structures. Initial results indicate that automation/consolidation remains cost effective.

FSS PLANS FOR NEW YORK

Senator D'Amato: In March, my Staff was given a short briefing on the flight service station consolidation plans, particularly the proposals as they relate to New York State. It is my understanding that the goal in New York State is to establish 3 what I will call service areas with an automated flight service station in each of the three. I recognize also that the automated flight service station covering western New York might be located in northwestern Pennsylvania since that flight service station would cover the Pennsylvania area.

Is my understanding correct?

Response: Yes, the State of New York falls into three flight plan areas; western New York/western Pennsylvania, southeastern New York (site selected is Islip), and western New England.

Senator D'Amato: I refer you to the National Airspace System Plan and the maps illustrating so-called "snap-shot years." On III-111, the 1981 flight service station configuration for New York is shown. Then on III-115 the year 2,000 map is shown with only 2 flight service stations in New York, one on Long Island and one is western New York.

What happened to the proposed automated flight service station for middle to northern New York State?

Response: The area of northeastern New York is included in the western New England flight plan area. Any public use airport within northern New York, Vermont and western New Hampshire is a potential candidate for the automated FSS that will serve the three-state area.

FSAS IMPLEMENTATION PLAN

Senator D'Amato: Mr. Helms, the Flight Service Stations are vital to the general aviation community, but in addition, to the communities in which they are located. For example, the flight service station at the Greater Buffalo International Airport employes about 40 people and has a total economic impact of approximately $3 million per year. Western New York is now in the throws of a deep recession with unemployment around 15-20%.

Does it make sense to eliminate flight service stations used by general aviation which also benefit the community, particularly given the GAO's findings with respect to cost savings. Don't you owe it to the people of the affected areas to reexamine this plan as recommended by the GAO? I would also like to know what criteria you are using to select sites for the automated flight service stations?

Response: The FAA's objective is to provide service to the pilot at the lowest possible cost to the Nation's taxpayers. Therefore, our acquisition program is designed to obtain the automated FSS's at the price most benefical to the Government.

As the Flight Service Automation Program has evolved over the years, system concepts and specifications have been assembled based on considerable development, test, evaluation and user participation. The basic issue questioned in the GAO report revolves around the issue of pilot acceptance of direct user access capabilities. All tests and evaluations to date conducted by the FAA to evaluate the effectiveness of briefings delivered without the involvement of a specialist have resulted in supportive data regarding technical feasibility and user acceptance of the concepts. In addition, user organizations and their membership have participated in the major evaluations and have always endorsed the acceptability of self briefing. Technology is rapidly advancing and the commercial availability of inexpensive personal terminals is already a reality. As FSAS implementation proceeds we need to refine the details of direct user access deployment and use. We plan to further assess the user acceptance question not to determine if it can be successfully deployed but rather to determine what actions need to be accomplished as the concept is developed and deployed, such as user awareness, weather education, etc., to assure a successful implementation resulting in high user acceptance.

The criteria used in the selection process are as follows:

1. Twenty year life cycle cost (OMB Circular A-104). This includes but is not limited to costs for the lease, utilities, lease lines and personnel relocations.
2. Assessment of the building space proposed including size, layout, safety features and quality of construction.
3. Telephone exchange capacity.
4. Risk of eviction prior to twenty year term.
5. Quality of life in the community.
6. Number of FAA employees to be relocated.
7. Airport characteristics.
8. Compatibility with other FAA general aviation programs.

WESTBURY TRACON

Senator D'Amato: Mr. Helms, in the late 1970's, the TRACON facility (terminal facility) was established in Westbury, Long Island. The purpose of the TRACON, as you know, is to control air space around airports with moderate-to-high density traffic. A plane is "handed off" from a TRACON to an En Route center which then controls the air space from airport-to-airport

The GAO report of February 16, 1983, cites some problems with regard to the TRACON facility in Westbury, Long Island.

First the report states that a shortage of computer capacity resulted in the inability of the TRACON to operate the five airport systems in the New York area thereby necessitating the interim installation of an ARTS II computer at Westchester Airport. As a result, the FAA was unable to achieve the full benefits of an integrated control of air traffic in the New York Metropolitan area.

Can you tell me a little about this, Mr. Helms?

Response: The initial program delivered by the contractor was a four sensor program that provided air traffic control capability for the five major airports in the New York area. However, this program did not include nor have core capability to accommodate conflict alert function.

The then existing common IFR room function which was a two sensor system serving Newark, LaGuardia, and JFK airports was initially cut over. The system was then expanded to include the third sensor from Islip and the conflict alert program.

During the interim period, the ARTS II system was installed to provide service to Westchester/White Plains Airport, until the conflict alert and memory expansion efforts could be accomplished.

Currently, the New York TRACON memory expansion effort has been accomplished. A four radar sensor program, which will include Westchester/White Plains is being developed and will be delivered to the New York TRACON for testing in late 1983.

Senator D'Amato: Did the computer capacity problems delay an operational conflict alert feature at the TRACON which would automatically alert controllers when two or more aircraft are on a collision course?

Response: The New York TRACON computer capacity at the time of delivery did not delay the implementation of the conflict alert feature. The conflict alert software feature was not available at the time of system delivery. New York TRACON enhancements to expand the memory capacity were implemented and are currently installed. This provides the New York TRACON ARTS IIIA system with maximum possible computer power and it should be adequate for present and projected air traffic growth.

Senator D'Amato: Is the conflict alert feature functional today?

Response: The New York TRACON presently has a two radar data automation program operational today without conflict alert. We are presently testing a three radar data automation program with conflict alert. When these tests have been satisfactorily completed and controller personnel trained to this new program operation, conflict alert safety enhancement can then be placed in service in the New York TRACON.

EN ROUTE CONTROL CENTER

Senator D'Amato: Mr. Helms, as you know, the en route control center in Ronkonkama, New York provides vital separation services, traffic advisories, and weather information to pilots while they are en route between airports.

The center handles 1,633,397 movements per year as will as contributes greatly to the Long Island economy. The 1981 "Snap-Shot" of the national en route configuration shows a dot over Long Island representing the center; however, the year 2,000 system map does not show this center.

The revised National Air Space Plan does retain this center in the long term.

Mr. Helms, what are your plans for this en route center given the tremendous amount of aviation activity in the area?

Response: As I mentioned in earlier discussions on ACF's we plan to retain the existing Air Route Traffic Control Centers.

CONSOLIDATE BUFFALO TRACON INTO ROCHESTER TRACON

Senator D'Amato: Mr. Helms, it is my understanding that the FAA has proposed to transfer some radar control functions and air traffic control from Buffalo to Rochester.

Can you tell me a little bit about this move?

Is it part of the National Air Space System Plan?

What will be the impact on air traffic control at the Greater Buffalo International Airport since the airport does handle 3 million passengers in approximately 200 movements per day?

Will all the controllers be given jobs at Rochester?

Response: In February, 1981, we initiated an intensive review of the National Airspace System (NAS). The purpose of this review was to analyse all the technical programs and balance them against budgetary, regulatory and airspace policies, then integrate and update them into a total system plan. The result was the most comprehensive examination of the NAS since the move to automation in the early 1960s.

The new NAS Plan, April 1983, spells out in considerable technical detail, specific improvements in facilities and equipment that must be made in the immediate and near future in order to meet the projected needs and demands of the aviation industry between now and the year 2000. Consolidation of major facilities will be implemented as new technology is introduced. The existing 188 Terminal Radar Approach Control (TRACON)/Terminal Radar Approach Control Cab (TRACABs) and 22 Air Route Traffic Control Centers (ARTCCs) will be consolidated into 23 newly established Area Control Facilities (ACFs) by the mid-1990s. The trend over this period will be to blend separate functions of terminal and en route air traffic control facilities. Facility consolidation is expected to reduce flight coordination between pilots and controllers and result in significant savings in equipment, personnel and operating costs while at the same time, providing substantial gains in the capacity of the NAS. The upgrading of automation equipment and the installation of voice communication switching systems will be the cornerstones of facility consolidation.

We have included in our implementation program a project to relocate the Buffalo, New York, TRACON function to our newly established, solid state equipped 10,500 square feet base building at Rochester, New York. This project conformed with the overall NAS Plan.

The project will be to remote the Buffalo Airport Surveillance Radar (ASR) to Rochester Airport via a microwave link communication facility.

The remoting of the Buffalo ASR will not alter or affect the present operational requirements or current radar coverage for the Buffalo area. The use of two radar systems will provide redundancy, thus enhancing system reliability. Coordination between the two facilities will be reduced to intrafacility coordination rather than costly leased telephone lines. We have found in the past that whenever practicable, it is better to consolidate ATC jurisdiction to a single facility in lieu of several control jurisdictions. This concept of consolidation provides for efficient utilization of limited human and fiscal resources.

We should also emphasize that we are not eliminating primary ATC at Buffalo International Airport. Only the approach control instructions for pilots landing at Buffalo International Airport, will emanate from the Rochester Facility rather than Buffalo Airport. This consolidation concept is safe and economical as evidenced by the Newark, LaGuardia and Kennedy Airports where the approach control function is remoted to a control room on Long Island. There will be no derogation of services for the Buffalo area because the control tower will remain at Buffalo Airport.

The project does insure that no FAA personnel presently employed at the Buffalo Facility will lose their jobs. Positions will be available at Rochester for all those who will move with the TRACON function. We intend to minimize the disruption to the personal lives of our employees as much as possible when this change takes place. As our plans develop, we will be keeping our personnel informed through briefings and counseling sessions with those affected.

JOBS BILL - AVIATION GRANTS

Senator D'Amato: The jobs bill which was recently signed into law increased the limitation on obligations for airport grants from $600 million to $750 million. I strongly support the ADAP program and was very pleased to see its reauthorization. The nation's airports are certainly part of the country's deteriorating infrastructure, a problem which we must address. The jobs bill included ADAP grants as one of the five programs which would be targeted using a three-tier targeting formula. (1/3, 1/6, 1/2) In addition, the conference report lists certain airports which the Congress directed be given priority for ADAP funding. Can you tell me what progress the FAA has made with regard to distributing these funds? What is your timetable? How do the earmarkings in the report affect the targeting formulas?

Response: We have been preparing for a job program ever since the Surface Transportation Assistance Act first authorized jobs funds in January and expect to have all recently appropriated job funds under grant this fiscal year, with many projects under grant early enough to produce jobs this summer. As for earmarked projects, we expect to fund priority work at locations where the development will result in the creation of jobs,

STEWART/REPUBLIC AIRPORTS

Senator D'Amato: Mr. Helms, last year the New York State Legislature passed legislation transferring Stewart Airport in Newburgh and Republic airport on long island from the Metropolitan Transportation Authority to the New York State Department of Transportation.

Because this legislation contained a curfew at Republic, the FAA and industry challenged the entire transfer and curfew. The problem was that pending the outcome of the suit, FAA would not issue operating certificates for either airport, meaning that airplanes with 30 seats of more could not land under FAA regulations.

It is my understanding that some temporary accommodation has been reached with respect to this operating certificate matter.

Is this correct?

Response: At Stewart Airport, some procedural problems were resolved and a Federal Aviation Regulation (FAR) Part 139 certificate has been issued.

Republic Airport has not been issued a certificate.

At each airport, all regularly scheduled operators were contacted and advised to request a change in their operating specifications to permit them to continue to provide service even if the airport did not have a certificate.

AIRPORT CURFEWS

Senator D'Amato: What is the FAA's official position with respect to curfews at airports?

Response: In a previous response to a question from Senator Andrews, it was explained that we are facing a substantial increase in the demand for air transportation in this country, while at the same time we are facing continuing constraints in airport capacity to manage for that growth. Closures of airports for any periods of time, as I understand your question regarding curfews, constrain even more the available airport capacity, further affecting our ability to manage an efficient air transportation system. We are seeking to prevent unnecessary use restrictions and closures of airports, preferring to work with the local authorities and airport proprietors in developing effective noise control plans without undue restrictions on airport use. Airport noise can be controlled by other means than closing the airport, and FAA experts stand ready to work with local authorities in achieving that objective.

USE OF FAA AIRCRAFT

Senator D'Amato: Mr. Helms as you know the GAO issued its final report on April 1st dealing with the management of FAA aircraft. I would like to ask you certain questions regarding this report in a short while.

Before issuing its report, however, the GAO testified on September 23, 1982, before the full Committee on Government Operations regarding the management of FAA aircraft. The substance of this testimony is embodied in the GAO's final report.

Pursuant to this testimony, the Congress included in its fiscal year 1983 transportation appropriations act language which limits the use of Department of Transportation aircraft by the Administrator of the FAA. The provision was designed to direct the Administrator to use commercial transportation whenever possible in order to save the taxpayers the expense of the Lockheed JetStar which costs a staggering $3,070 an hour to operate.

The Act does provide for certain exceptions - one being for flights "<u>essentially</u> for the purpose of inspecting, investigating, Administration system designed to aid and control air traffic, or to maintain or improve aviation safety."

Pursuant to my request the GAO spent a good part of last week reviewing FAA Aircraft Request and Use Records as well as the Administrator's itinerary records. GAO has documented five trips since the effective date of aforementioned provision where FAA aircraft, either the JetStar or Cessna 550, were used by the Administrator. The records show that the box labeled "Evaluation" was checked for each of these flights.

Is it your understanding Mr. Helms that these flights were made <u>essentially</u> to evaluate the Air Space System and Air Traffic Control?

Response: The flights mentioned were made to evaluate the Air Space System and Air Traffic Control.

Senator D'Amato: Let's take the March 14th trip from Washington, D.C. to Nashville, Tennessee, a round trip which took 3.4 hours of flight time and cost the taxpayer $10,438 (3.4 x $3,070). The FAA aircraft request and use records states the purpose of the trip was for evaluation. However, the Administrator's itinerary records says, to be keynote speaker at the National Air Transportation Association Annual Convention and dedicate a new tower.

It seems to me that this trip was <u>essentially</u> for the purpose of delivering a speech and not to evaluate the system and that commercial aircraft could have been taken with substantial savings to the public.

What did your evaluation show?

Response: The evaluation showed that eight sectors within two Air Route Traffic Control Centers, two Approach Control Facilities, and two Air Traffic Control towers were conducting operations in accordance with FAA rules and regulations. Additionally, the quality of 15 communications frequencies was assesed at various altitudes and distance and found to be acceptable. Use of commercial aircraft would have precluded conducting the types of evaluations performed during this flight.

Senator D'Amato: Could not it have been done on a commercial plane? From the jumpseat of the plane?

Response: No, it could not have been done from the jumpseat of a commercial plane. Evaluation of this extent require ready access to the control heads of navigation and communications equipped in the cockpit. This access is not available to a person occupying the jumpseat. Additionally this function from the jumpseat would cause undesirable distractions to the flight crew..

Senator D'Amato: Assuming that it was appropriate to use FAA aircraft for this trip, was there any reason why the Cessna Citation which costs $965 an hour to operate and would have therefore cost the taxpayer $3,281 or some $7,100 less to operate than the Jetstar could have been used?

Response: Yes, there was--the Cessna Citation was not available--it was not on the east coast at the time. It had been dispatched on an itinerary involving a multi day mission and did not return to Washington until after I returned in the Jetstar.

Senator D'Amato: Mr. Helms, I have similar questions regarding the other four flights. On January 14th you flew from Washington to LaGuardia and back again on the Cessna at a cost of $2,412. The aircraft request says evaluation yet the itinerary record states, it was to tour Air Traffic facilities at LaGuardia." The trip would have cost $88 round trip on the Eastern shuttle. If you really want to get a sense of how air traffic is working wait 45 minutes to an hour on a runway waiting for a plane to take off from D.C. to get to LaGuardia.

Mr. Helms, have you taken any commercial flights which are FAA related during the first three months of this year?

Response: Yes, as I mentioned earlier, I routinely use commercial flights and often ride the jumpseat. Sitting in the cockpit of an airplane is certainly the best way to sense how the Air Traffic System is working--that is exactly why I do it as often as possible - passengers usually know little more than the fact that there is some sort of delay. By the way, the more control or responsibility a person has while occupying a cockpit seat the better the sense of how the system is working.

ALASKA FLIGHT

Senator D'Amato: Mr. Helms from October to December of 1981, the GAO states that 141 or 83% of 169 FAA passenger flights went to destinations readily serviced by commercial airlines. This cost the taxpayer $448,000 as compared to an estimated commercial cost of about $111,000, a difference of $337,000. This problem has apparently been around for several years as it was mentioned in a September 1980 DOT Inspector General Report. Let's look at the July 28, 1981 Alaska trip. You flew from Washington, D.C. to Anchorage, Alaska and the trip cost $27,016. On July 29th the FAA used a rented Lear Jet (6 passengers) and a Cessna 421 (8) to provide transportation while evaluating the Alaskan system. From July 29th to July 31st, the FAA Administrator, his wife, his daughter, the Alaskan Regional Director, his Executive Assistant, and three others travelled on these two aircraft to nine Alaskan cities.

Why couldn't all eight official passengers travel on one plane, rather than having to rent two?

Response: In order to properly answer the question, I must first comment on the dialogue leading up to it. I decided to use the Jetstar to fly from Washington, D.C. to Anchorage, Alaska, after receiving an official request, from the Canadian Government, that I evaluate the air traffic system along the northern tier, Canada and Alaska. The Canadians were most concerned over the impending PATCO strike and the potential impact in those areas. They asked that I consider altering my travel plans as necessary to conduct this evaluation. I believed then and still believe that the request was reasonable and prudent. The Jetstar was the only aircraft that provided the range and altitude capabilities and was equipped with the special devices necessary to perform the evaluation. The $27,016 you mention was the cost of performing this critical evaluation--not a transportation cost.

With respect to the aircraft used while in Alaska, I must tell you that those decisions were based on meeting mission requirements in the most cost effective manner. The Cessna 421 was not leased in Alaska--it was one of two airplanes assigned to Washington headquarters but shared with the regions. Under the sharing or rotational plan it was assigned to the Alaska Region from July 1981 through September 1981. Use of this aircraft did not result in any increased cost to the Government. The Lear Jet was leased because certain portions of the air traffic control evaluation required use of a high performance aircraft of that type to meet high altitude requirements. The mixed use of these aircraft provided the most efficient means of accomplishing all of the evaluation functions within a short time frame.

As to the question. The two airplanes were needed because of the mission requirements not because of passenger requirements or accommodations. As you pointed out, there was a party of eight, including two pilots. This party could have been accommodated in either airplane.

Senator D'Amato: Moreover, what was your wife and daughter doing on this trip, for without them the trip certainly could have been made on one plane.

Response: My wife and daughter were accompanying me at no cost to the Government. I pay their expenses. As I stated a few minutes ago, the number of people in the party had nothing to do with the need for two aircraft.

Senator D'Amato: What was the purpose of the entire Alaskan trip?

Response: The purpose of the entire Alaska trip was to enable me to collect first-hand information necessary to assess the potential for damage to that portion of the National Airspace System in the event of a strike by PATCO. That strike did materialize but we were able to continue to operate the National Airspace System safely.

Senator D'Amato: If evaluation was the purpose then why was currency/transportation marked in the official FAA records? (See Attachment)

Response: Currency/Transportation was marked because of a limitation in the computerized reporting system - it will accept only one coded category. The purpose of the trip was threefold - to provide currency, to evaluate the system as it is operated in various parts of Alaska, and to combine transportation requirements with both the other functions. Since the box checked reflected two of the three purposes, the pilot determined that to be the most appropriate entry. I will say that this limitation has caused some confusion in the minds of those who are not familiar with the reporting system or its purpose and for that reason, the computer program is being modified to allow multiple entries for the purpose of flight.

JETSTAR FLIGHTS

Senator D'Amato: For all of fiscal year 1981, records show that none of the JetStar's flights were for evaluation. All were either for currency, transportation, or combined currency/ transportation. Since you certainly had enough hours to maintain currency, it appears to me that these trips were made for transportation purposes.

The Phoenix, Arizona to Scottsdale, Arizona trip on November 6, 1981 the Administrator flew round trip from Phoenix to Scottsdale, Arizona, a flight which took .7 hours and cost the taxpaper $2,149. The trip is approximately 10 - 12 miles by car.

If the purpose of the trip was for evaluation, than why do FAA records show that the purpose was for currency/transportation?

Response: Many evaluations are performed or combined with currency/transportation. As I indicated earlier, the reporting system could not accommodate multiple entries for the purpose of

flight except for currency/transportation. The system is now being modified to eliminate that limitation. This change is necessary because of FAA's policy to combine missions and requirements as often as possible to reduce costs.

GAO REPORT

Senator D'Amato: When you saw this in the FAA draft report in January why didn't you comment on it?

Response: We are not aware of any FAA draft report on this subject; however, there was a GAO draft which had a 30-day limit on comments. FAA could not comment in the allotted time on that particular draft because it was replete with errors, omissions, inaccuracies and inadequacies. These errors were so obvious that we fully expected GAO to correct them during their verification process prior to publishing a final report. We are now preparing a response to the GAO report which was published and made available to us on April 4. Unfortunately, the published report suffers the same deficiencies as the draft and we will require at least 30 days for our review and comment.

Senator D'Amato: Mr. Helms, the GAO report states that 71% of the 1300 pilots with the FAA who must keep "current" (proficient) have not flown the necessary hours to do so. Moreover, the report states that the distribution of flight time was very uneven in that while 101 pilots flew over 100 hours or more (one needs 48 hours per year to remain current) some 192 pilots did not fly at all. The GAO recommended that the ECT (Evaluation Currency and Transportation) Program be reassessed. Secretary Dole, in a letter to Congressman Whitten dated April 4th, stated that the FAA "has initiated actions to strengthen management control of evaluation, currency and transportation aircraft".

What steps have you taken in this regard?

Response: The statistics used by GAO are simply not correct. A March 1, 1983, FAA survey indicated that 87.4 percent of the agency's 1,066 pilots were current. Furthermore, GAO did not consider a pilot's authorization with respect to command authority and types of aircraft or equipment when they assessed the distribution of currency time and compounded this error by basing their calculations on a 12-month period of time rather than the accepted 180-day standard.

At the present time, I am personally reassessing our management practices as they relate to FAA's ECT program and will provide a report to the Secretary by May 31.

Agency directives which prescribe policies for the operation of FAA aircraft and guidance on our flight programs have been, or are now in the process of being, revised.

The total number of participants in the headquarters flight program has been substantially reduced from 86 to 45 over the past year.

In the past 2 years, four Washington aircraft have been eliminated from the fleet. Additionally, one headquarters-based aircraft will, within the next 30 days, be reassigned. This will further reduce the number of aircraft located in Washington and decrease the need for rental aircraft in support of our Evaluation, Currency and Transportation program.

SECURITY CHARGES

Senator D'Amato: Last year this committee appropriated $15 million for repayment to U.S. international carriers for their previous expenditure for international security charges. To date, I understand you have not even completed payment on the first request for reimbursement for the years 1976, 1977 and 1978. Would you please tell this committee what you have offered the four carriers which had requested $12,059,096 in reimbursement?

Response: In October 1982, we authorized payment of the uncontested portions of the audited claims for fiscal years 1976 through 1978. This amounted to $4,308,462. On April 5, 1983, we forwarded a letter to each claimant which contained an offer of final payment to resolve all costs and revenue computations questioned by the audit. This final payment offer totaled $2,081,252. This amounts to a total authorized for payment of $6,389,714. In addition, in January 1983, we paid Pan American World Airways $3.8 million as an advance payment on their claim of almost $6.8 million for the period October 1, 1978, through August 13, 1980.

Senator D'Amato: In spite of the fact that the law stipulates payment to the carriers for their expenses, my understanding is that rather than reimbursing carriers for specific items, you have used an industry average and applied it to the carriers' request. It seems, Mr. Helms, that you have had plenty of time to deal with the specific charges. Please justify why you have used an average.

Response: The specific items claimed which were not questioned by the audits of the claims covering fiscal years 1976 through 1978 were authorized for payment in October 1982. Actual payment amounted to $3,997,331. The uncontested portion of Braniff International's claim of $311,131 is being held pending the resolution of Braniff's debts to the United States. The costs and revenue computations questioned by the audits were subjected to an extensive legal, policy, and administrative review. In addition, in-depth discussions were held with the auditors. Based upon these reviews and discussions, it was determined that the auditors were legally and technically correct in disallowing the questioned costs and revenue computations. While a claimant may have been able to show that a claimed indirect cost, such as indirect personnel cost was incurred, it was not possible to positively substantiate that the cost was in fact attributable to security screening. Had we attempted, therefore, to resolve the questioned costs and revenue computations individually, this, as a rule, would have resulted in no additional compensation to the claimants. Since we believed that the claimants most likely did incur, a reasonable level of indirect costs which were attributable to security screening, we developed a means whereby all outstanding issues would be resolved by a lump sum final payment offer. This offer was in major part based upon a formula derived from systemwide data and was considered equitable for all claimants.

Senator D'Amato: Since the committee clearly intended these carriers to be reimbursed from the inception of the security program in 1973 until August 1980, I do not understand what the delay has been in the FAA in promulgating regulations to allow carriers to apply for reimbursement for the entire period. In spite of letters from both Chairman Andrews of this subcommittee and Chairman Mineta

of the House Aviation Subcommittee, clearly outlining the intent of the law, as late as April 5, FAA's Director of Civil Aviation Security wrote the airlines saying, "Since the FAA has not reached a final legal determination on that issue, there is the potential for valid claims to exceed the amount available for payment to eligible claimants." Again, on March 22, 1983, Chairman Andrews wrote you telling you that you were blurring two distinct matters in this regard and suggested that you promptly complete payments for the two requests for which you have promulgated regulations, namely for the years 1976-1978 and 1979-1980, and allow the committee to consider any excess appropriations needed for the years 1973-1975. Just what have you done, Mr. Helms, to insure that these five years are paid up and that regulations have been promulgated for the three earlier years?

Response: The FAA has tendered final payment offers to all carriers who filed claims for fiscal years 1976 through 1978. For the years 1979 and 1980, Pan American World Airways has already received an advance payment on their claim, Trans World Airlines is the only other carrier which has filed a claim with the FAA for this period. Both claims for 1979-80 have been forwarded to the Office of the Inspector General, Department of Transportation, for independent audit. We have not yet reached a legal determination concerning the retroactivity of the legislation; however, the FAA legal staff has been asked to render such a decision. Earlier, that legal decision was held in abeyance pending a response to our March 9 letter to Senators Andrews and Chiles, and Congressmen Mineta and Snyder in which the FAA indicated the potential for prorating claims and sought further input or guidance on the issue. We are now advised by Congressman Mineta's staff that we may not receive a formal response to that request.

Senator D'Amato: In your letter of March 9 to Chairman Andrews, you estimated that allowable claims might possibly reach $35 million. However, it appears that you are only allowing claims of around $6.5-$7 million for the years 1976, 1977 and 1978 and that allowable amounts for 1979 and 1980 are estimated to be around $7 million. Where are you coming up with an additional $20 million in allowable claims-particularly since most of the U.S. carriers serving international points during the 1973-1975 period reported making profits on their security charges from domestic passengers? It would seem to me, Mr. Helms, that what we are really talking about is perhaps another $5-$6 million. Would you please explain where you get these estimates of $35 million?

Response: In my letter of March 9 to Senator Andrews, I estimated that allowable claims for screening costs incurred could be in excess of the $15 million authorized for this purpose, if the period prior to fiscal year 1976 is included in the eligible period for claims. In this letter, I also indicated that we anticipated that claims could total over $35 million. As of April 17, 1983, we have received a total of over $27 million in claims. Of this amount, over $15 million is for the fiscal years 1979, 1980, and 1973 through 1975. This $15 million covers claims of only two air carriers. In view of the fact that there are many other U.S. air carriers who conduct international operations, obviously it is very possible that the total of claims could easily top $35 million.

Senator D'Amato: In spite of the fact that some carriers, such as Pan Am and TWA, have been prompt in responding to your

rulemaking, I am advised that you have not yet begun your audit for the 1979-1980 period. I am inclined to agree with Chairman Andrews that since payments have been delayed so long, any further delay would require us to address the question of paying interest to the carriers for what amounts to the use of their funds. Would you please tell me what your timetable is for finalizing these claims?

I would also like to submit for the record, Mr. Chairman, the two letters you have written to the FAA recently on this subject.

Response: We have made final payment offers on all claims covering fiscal years 1976 through 1978. We anticipate that the payment of the offers will be the final action on these claims. To date, Pan American World Airways and Trans World Airlines are the only air carriers which have submitted claims for fiscal years 1979 and 1980. These claims have been forwarded to the Office of the Inspector General, Department of Transportation, for independent audit. We have requested that the audits of these claims be expedited. Per their request, we gave Pan American World Airways an advance payment of over 50 percent of their total claim for the period. Upon completion of the audits, we will make every effort to promptly finalize the claims.

Questions Submitted by Senator Chiles

MODERNIZATION OF THE NAS

Senator Chiles: Mr. Helms, perhaps the most significant single budget issue faced by this Subcommittee -- at least as measured by the $9 billion price tag -- is the multi-year proposal to modernize and expand the Nation's air traffic control system. I am aware of the recent CBO study on this subject, and I have also seen Alice Rivlin's testimony from last week before the House Appropriations Committee when she indicated that the weight of technical opinion is that we must move ahead and modernize the nation's air traffic control infrastructure.

The cost effectiveness of the plan, however, will require FAA to actually make the consolidation of facilities and the reduction in staff that are called for by the plan. For example, the present 25 en route navigation centers and the 188 airport approach facilities would be consolidated into about 30 facilities by the year 2000; the 317 flight service stations would be reduced to 61; and the number of FAA employees would be reduced by 40% or by about 14,800 in number.

Facility and personnel reductions of this magnitude almost always develop opposition. What assurances do you have that these reductions which are needed to make the National Air Space System modernization cost-effective can actually be made?

Response: The weight of technical opinion supports the modernization of the nation's air traffic control infrastructure. Increased demand and requirements for new and improved aviation services make it essential. Yet, flight safety and efficiency must be provided economically. The plan has been in existence for nearly a year and a half. During that period, it has been extensively reviewed by all groups of the aviation community. Their comments

have indicated that, although each has some problem with some particular aspect of the plan, all support the plan as a whole and derive significant benefit from its implementation. System users are the principal beneficiaries of the major improvements outlined in the plan, and are also the principal sources of revenues to be used. To keep faith with them, we must ensure that system modernization is cost effective and believe that the wisdom of facility and personnel reductions will overcome opposition.

FSS CLOSURES AND CONSOLIDATIONS

Senator Chiles: I understand, for example, that you are proposing to close 5 air flight service stations this year and another 75 in 1984, which 5 flight service stations will be closed this year?

Response: The 5 flight service stations to be closed in FY 1983 are: Yuma, AZ; Key West, FL; Cotulla, TX; Toledo, WA; Lone Rock, WI.

Senator Chiles: Of the 61 consolidated flight service stations proposed, are any yet operational? How, then, will the pilots in and out of Key West receive the information now provided to them by the flight service station?

Response: None of the 61 consolidated flight service stations are operational as automated FSS's. Of the 17 new FSS sites selected, 3 will involve the expansion of existing facilities. These FSS's are Cleveland, Dayton and Denver. With respect to, pilots in the Key West area, they will be served by the Miami FSS once the Key West FSS has been closed.

Senator Chiles: You mention in your statement that 15 of the 61 planned flight service station sites have been selected. What are those sites?

Response: As of April 25, 17 of the 61 planned flight service station sites have been selected. They are:

Denver, CO
Bridgeport, CT
Miami, FL
Macon, GA
Kankakee, IL
Terre Haute, IN
De Ridder, LA
Reno, NV
Islip, NY
Cleveland, OH
Dayton, OH
McAlister, OK
Altoona, PA
Nashville, TN
Conroe, TX
Leesburg, VA
Greenbay, WI

PERSONNEL SEPARATIONS

Senator Chiles: Part of the National Airspace System proposal according to Mrs. Rivlin at the CBO is to reduce the FAA work force by 40%. Could you tell us a little about your plan for separating 40% of your work force? To what extent can this be accomplished by normal attrition.

Response: I want to emphasize that the personnel reductions assume timely implementation of the various phases of the NAS plan

such as consolidation of facilities, conversion to host computer, equipment replacement, etc.

The reductions in the work force can be accomplished through attrition. Our annual rate approaches 2,000. Even with a younger work force (a result of the large number of new Air Traffic hires) and, therefore, a reduced attrition rate, we should be able to accommodate the planned reductions as well as strengthen certain areas of the work force without any special efforts.

MAJOR PROCUREMENTS

Senator Chiles: Which contracts do you expect to sign in 1984 and what is their estimated award value?

Response: The major contracts that the FAA expects to sign using FY 1984 funds are: Long Range Radar Modifications, RML Replacement, Center Weather Processor, Tone Control Equipment Replacement, Airport Surface Detection Equipment, Mode-S, Replace TPX-42 Systems, Provide Power Conditioning Systems (PCS) for ARTS-III, Bright Radar Indicator Tower Equipment, Remote Maintenance Monitoring System (Phase II), Direction Finder Modenization and Microwave Landing System.

These major procurements all involve forthcoming solicitations followed by extensive cost negotiations. In view of this, we do not feel it is prudent at this time to make public the government estimates of contract values. We will however, if needed, provide this data privately to the Committee.

Senator Chiles: What is the estimated outlays associated with each of these contracts in 1984?

Response: Most of the contracts financed with FY 1984 funds will be awarded late in the fiscal year due to administrative and procurement leadtimes. Therefore, only a very small amount of outlays will be incurred in FY-84.

Senator Chiles: As this is the second year of funding for the National Airspace System Plan, how many contracts have been let with FY 1983 funds for this project? What is the dollar value of these contracts and what outlays are expected to occur year by year for these contracts?

Response: A total of seven major contracts and several smaller support contracts have been awarded to date for a total of $50.9 million. The outlays for these contracts are dependent on the specific materiel and labor cost incurred, and the time-frame in which they occur, and vary widely from contract-to-contract. Since the contracts have just been recently awarded, it is not yet possible to project the outlays year-by-year with any degree of certainty.

LONG TERM NAS INVESTMENT

Senator Chiles: The funding provided to the FAA Facilities and Equipment Account will be used to help fund the almost $9 billion multi-year project of modernizing the National Airspace System Plan.

The current policy base line used by the Budget Committee would fund the program at $646 million for 1984. The authorized level is $1.393 billion and the Administration's request is for $1.000 billion. I noticed the House resolution assumed funding for the program at the $1.000 million level.

I understand from your statement, Mr. Helms, that the $1.000 billion represents the full cost of all the contracts that you expect to award in 1984, but that program outlays are estimated at only $480 million and the unobligated balance at the end of fiscal year 1984 is estimated to be $664 million.

While I understand the FAA interest in having contracts fully funded at the time of signature, as a practical matter, wouldn't a funding level of less than $1.000 billion still permit the agency to move ahead at an unrestricted rate?

Response: As I mentioned earlier, the fully funded method of budgeting is the most cost efficient to the taxpayers. It is required by OMB, supported by GAO and found highly desirable by Congress since total project costs are revealed and requested at one time, not just the "tip of the iceberg." In addition, construction delays are minimized, program management is more effective and efficient, and competition is stimulated.

To appropriate less than the amount requested, would cost more in the long run. Based on GAO's government-wide studies, this would be due to probable construction delays, program starts and stops and additional contractual costs.

SYSTEM CAPACITY

Senator Chiles: Mr. Helms, you mentioned in your statement that the air traffic control system is now capable of handling 100 percent of pre-strike national system traffic. You also mentioned that the existing restrictions to traffic would not be entirely eliminated until December of 1983. If we are now capable of handling 100 percent of pre-strike traffic, why are the traffic controls going to be kept on until December 1983?

Response: Although our Air Traffic Control System as a whole is now capable of handling 100 percent of pre-strike traffic, this capability is not evenly spread. A number of facilities have exceeded their pre-strike average daily counts (i.e., Los Angeles, Albuquerque, Salt Lake City, Kansas City, Atlanta and Miami Air Route Traffic Control Centers). This is evidence that user demand has increased from pre-strike demand. The facilities which were more severly impacted by the strike (i.e., Chicago, Minneapolis, Indianapolis, Cleveland, and New York Air Route Traffic Control Centers); have not yet reached their pre-strike capabilities; however, with the exception of the New York and Chicago area, we expect them to be at full capacity by December 1983.

NTSB FINDING

Senator Chiles: I understand that you disagree with the National Transportation Safety Board's finding that you were bringing too many green controllers back on system too fast and that this could have a negative impact on air safety?

Response: We have maintained the highest standards of training and certification at the FAA academy and our field facilities. All new controllers must meet stringent requirements before they are certified to control traffic. Our staff, supervisors and experienced controllers have gone overboard to help new controllers during thier seasoning period and provide continuing guidance and role models. We are convinced that we have handled the influx of new controllers in a manner that insures a safe and responsive system. In addition we have instituted procedures to insure that new controllers operate positions for a minimum of 30 solo hours before they can give on the job training to others.

GRANTS FOR FT. MYERS

Senator Chiles: There are three major airport construction projects in Florida now in progress -- Ft. Lauderdale-Hollywood International, Orlando International and Southwest Florida Regional at Ft. Myers. Discretionary funding for these three airports is essential if major problems are to be avoided. The State Department of Transportation has told me that the new air carrier airport at Ft. Myers is an especially precarious situation because of lack of Federal funding. Unless additional Federal funds are forthcoming, the landing fee for Southwest will be over $4.00 per thousand pounds when the airport opens on May 14, 1983. TWA has just pulled out of Ft. Myers because of the extremely high landing fee. Other air carriers could follow making the situation even more critical. As you know, the recently passed jobs bill included special language regarding an airport grant for Ft. Myers. When can Ft. Myers expect to receive some help?

Response: We expect to grant funds to Ft. Myers before fiscal year end but the exact amount is still under consideration within the FAA. We are aware of the needs there and the strength of our commitment is evident by the $20.7 million we provided for the new airport development since May 1978.

POPULATION SHIFTS

Senator Chiles: There has been over the last 10-15 years a great imbalance in the growth of different areas of the country and in the growth of different states. There has been a major shift in population from the Northeast and Midwest to the sunbelt states. This shift in growth has generated a need for new airport capacity in the growing states and lessened the need in the non-growing states. What changes in policy has FAA made to accommodate this shift in population?

Response: The FAA policy is to meet and forecast the demands of the airport system wherever they occur. Population increases result in increased aircraft and passenger activity which is translated into airport and facility needs. These needs include development of airport pavements and associated lighting, land acqusition, approach aids, terminals, and air traffic control facilities.

FUNDS FOR CAPACITY/SAFETY

Senator Chiles: Would you provide for the record a listing covering the period 1970-1983 which indicates by state where the FAA has invested federal funds for increasing the capacity and safety of airports?

Response: Attached is a listing by state identifying where the FAA invested federal funds in projects primarily related to improving airport capacity and safety from Fiscal Years 1970 through April 20, 1983.

State	Amount	State	Amount
Alabama	$ 65,348,939	Nevada	$ 69,268,037
Alaska	224,638,667	New Hampshire	9,628,534
Arizona	101,537,045	New Jersey	89,396,466
Arkansas	40,193,559	New Mexico	43,773,143
California	404,759,749	New York	217,451,007
Colorado	135,517,957	North Carolina	101,190,478
Connecticut	24,709,495	North Dakota	39,709,609
Delaware	5,409,084	Ohio	112,563,259
Dist. of Col.	225,000	Oklahoma	86,189,456
Florida	255,972,902	Oregon	138,015,708
Georgia	165,149,681	Pennsylvania	170,444,681
Hawaii	114,816,338	Rhode Island	16,366,878
Idaho	36,128,546	South Carolina	48,452,819
Illinois	192,235,874	South Dakota	37,848,287
Indiana	118,852,217	Tennessee	92,446,516
Iowa	49,522,883	Texas	338,670,899
Kansas	63,494,683	Utah	49,451,100
Kentucky	64,636,827	Vermont	9,957,130
Louisiana	109,353,362	Virginia	79,154,288
Maine	31,978,389	Washington	103,032,284
Maryland	44,594,538	West Virginia	47,160,305
Massachusetts	61,216,765	Wisconsin	82,368,796
Michigan	152,433,402	Wyoming	39,865,433
Minnesota	69,645,057	Trust Terr.	21,159,153
Mississippi	50,876,455	Puerto Rico	23,655,210
Missouri	118,590,112	Virgin Islands	55,534,303
Montana	54,326,222	American Samoa	9,125,265
Nebraska	59,350,840	Guam	14,303,483
		TOTAL	$4,961,697,115 1/

1/ Includes Airport Improvement Program funds only. Does not include any facilities and equipment funds.

AIR CARRIER AIRPORTS

Senator Chiles: How many new air carrier airports has the FAA funded in the last 10 years. How many new airports does the FAA plan to approve during the next five years? Where are they located?

Response: We funded 11 new carrier airports in the last 10 years and there may be two more commercial service airports ready for funding sometime over the next five years. The locations are:

I. New air carrier airports funded in past 10 years.

1980	Colonia (Yap), Trust Territories
1978	Nelson Lagoon, Alaska
	Ft. Myers, Florida
1977	Akhiok, Alaska
	Crooked Creek, Alaska
	New Minto, Alaska
1976	Ambler, Alaska
	Larsen Bay, Alaska
1972-1975	Klowock, Alaska
	Scammon Bay, Alaska
	Obyan (Saipan Int'l.), Northern Marianna Islands

II. New commercial service airports that may be funded in next 5 years.

Lahania, Hawaii
Port Townsend, Washington

NEW FLORIDA AIRPORTS

Senator Chiles: There are now seven site selection studies for new airports in Florida awaiting approval by the FAA. When would you expect these site selection studies to be approved?

Response: The status of the seven studies is as follows:

1. Baker County - site selection completed. Environmental assessment must be accomplished before site approval. No date for site approval established at this time.

2. Clay County - same status as Baker County.

3. Sumter County - site investigation completed. Environmental assessment underway. Site approval expected in the latter part of 1983 if assessment allows.

4. Sarasota - site investigation underway - estimated completion 4th quarter of 1983. Environmental assessment must be accomplished prior to site approval.

5. North Broward County - site investigation completed. Environmental assessment underway - estimated completion mid 1984.

6. South Broward County - same status as North Broward County.

7. North Palm Beach - site investigation underway - estimated completion 4th quarter of 1983. Environmental assessment must be accomplished before site approval. No date for site approval available at this time.

MLS

Senator Chiles: One important part of the FAA National Airspace System Plan is the proposal to spend $2.3 billion on Microwave Landing Systems which is a new instrument landing device that allows shorter flight times by reducing the approach path for incoming aircraft.

The CBO has questioned whether the small reduction in flight time that would be permitted by MLS systems would be economically justifiable. The GAO has indicated that recent technological improvements to the ILS systems now in place make them comparable with the expected performance levels of the MLS.

Does FAA plan to reevaluate its plans for MLS procurement based on ILS improvements and the questionable economic value of the MLS system?

I have a number of additional questions for the record on this subject.

Response: Our economic analysis shows that there are substantial savings associated with reductions in flight time due to MLS. The CBO question relates to the monetary value assigned to the air passenger's time in the analysis. FAA used a value of 1.0 times the earnings in income, which was based on emperical studies relating to air transportation. We believe this value to be a conservative assumption.

Furthermore, reduced flight time is only one of the benefits of MLS. Other benefits include: a) applications to improve airport utilization and noise abatement; b) lowering of approach minima, particularly for Cat II and III operations; c) flexible paths to avoid terrain and obstacles; d) uniform signal quality to facilitate autocoupled approaches and automatic landings; e) much improved capture performance compared to ILS and improved tracking during adverse wind conditions; f) approaches to multiple runways from a single installation, reductions in runway critical areas; h) availability of missed approach and departure guidance; i) availability of auxiliary data to facilitate approach and landing procedures and to enhance safety; and k) civil/military interoperability, etc. The technical improvements to ILS have solved only a limited number of problems and have not increased the capability of the ILS to provide the range of benefits just described. A recent assessment indicates that MLS is still justified on the basis of operational and economic advantages.

ILS RELIABILITY IMPROVEMENTS

Senator Chiles: Based on recent technological improvements to ILS, does FAA plan to reassess the need for MLS in the near future?

Response: The technological improvements in ILSs have resulted from FAA's continuing efforts to achieve the highest possible availability and integrity for precision approach service. However, the limitations cited are still present and must be handled by special efforts on a site-by-site basis. ILS cannot support the full range of civil and military operational requirements for approach and landing. On the other hand, MLS has been specifically designed to satisfy all of these requirements on an interoperable basis.

The ILS reliability improvement stems from the use of solid state equipment which was designed to meet an MTBF of 1800 hours for each subsystem (localizer and glide slope). Since the contractor must design to worst case stress conditions, it should be expected that the equipment will actually perform better in a typical operational environment, and this in fact has occured for ILS. In the MLS case, the equipment will be designed to meet an MTBF of 4000 hours for each subsystem and we expect a corresponding improvement in actual operation. Furthermore, MLS is being specifically designed to meet the 80s maintenance program and will have not only high reliability, but also remote maintenance monitoring and redundancy which will enable the achievement of mean time betwen outages of approximately 30,000 hours.

The benefits of MLS are much broader than just the reliability and maintainability question. Other benefit areas include: a) applications to improve airport utilization and reduce delays, and noise abatement; b) lowering of approach minima, particularly for CAT II and III operations; c) flexible paths to avoid terrain and obstacles; d) uniform signal quality to facilitate autocoupled approaches and automatic landings; e) much improved capture performance compared to ILS and improved tracking during adverse wind conditions; f) approaches to multiple runways from a single installation, g) reductions in runway critical areas; h) availability of missed approach and departure guidance; i) availability of auxiliary data to facilitate approach aid landing procedures and to enhance safety, and k) civil/military interoperability, etc.

The need for MLS has been reviewed on many occasions both nationally and internationally. This has been accomplished with extensive involvement by the users throughout the program. For example, the operational requirements were developed with the users in RTCA SC-117 and formed the basis for both the U.S. and ICAO programs. A formal Advisory Committee with full user representation guided and monitored the program for several years and participated in the selection of the MLS system technique.

Implementation planning was accomplished with the users during RTCA SC-125. Also, prior to selecting an implementation strategy, FAA carried out a full coordination process including public hearings and there was strong support for moving out with implementation. More recently, the Industry Task Force on Airport Capacity and Delay Reduction has supported the need for MLS. In addition, user participation was included in the MLS STEP program.

Senator Chiles: If the ILS limitations no longer exist, how is the acquisition of MLS justified?

Response: The ILS limitations are still present and must be handled by special efforts on a site-by-site basis. ILS cannot support the full range of civil and military operational requirements for approach and landing. On the other hand, MLS has been specifically designed to satisfy all of these requirements on an interoperable basis.

MICROWAVE LANDING SYSTEM (MLS)

Senator Chiles: Will aircraft be permitted to fly over residential and other restricted areas to make curved approaches using MLS?

Response: Quite the contrary. The curved approach capability of MLS will provide, in some cases, a means of reducing low altitude operations over residential or restricted/noise sensitive areas.

Senator Chiles: What is the justification of installing the microwave landing system (MLS) on a national basis?

Response: It must be on a national basis, otherwise, we will end up with two types of systems.

Senator Chiles: Was the justification developed on a case-by-case basis for major airports only, a mixture of various size airports, or all airports?

Response: The justification was based on operational requirements of all airports and all users.

Senator Chiles: Which airports will benefit more from MLS? In what way?

Response: All airports will benefit. MLS provides more versatile precision approach capability and does not suffer from the single approach and technological limitations of ILS.

Senator Chiles: How will the three largest airports benefit from MLS?

Response: The large airports will benefit in the same manner as the small airports. Improved safety, reducted flight disruptions, shortened approaches and reduced noise.

Senator Chiles: Can MLS be installed in international gateway airports only? What problems would arise by having dual systems at these airports?

Response: Yes, MLS can only be installed at international gateway airports, however, we would be faced in the long run with dual maintenance costs and this option would not satisfy the need to replace ILS nationally.

Senator Chiles: What assurance does FAA have that aviation users, especially the air carriers, will invest in MLS avionics equipment?

Response: The aviation community assisted in the formulation of MLS and agree with the transition plan. As MLS provides additional service at airports, the user will want to equip aircraft to take advantage of the increased benefits.

Senator Chiles: What assurance does FAA have that aviation users, especially the air carriers, will invest in MLS avionics equipment?

Response: The aviation community assisted in the development of the MLS and agreed with the transition plan. As MLS provides additional service at airports, the users will want to equip their aircraft to take advantage of the additional benefits.

Senator Chiles: Has the FAA demonstrated to the air carriers that installing MLS avionics will be financially advantageous?

Response: We have not been able to satisfy all of the air carrier concerns. However, the regional airlines, through the Regional Airlines Association of America, have requested that we proceed post-haste with installation of MLS since they perceive a very real benefit.

Senator Chiles: Under what circumstances would FAA mandate that air carriers install MLS avionics?

Response: None. When an MLS is installed and collocated with an ILS, the ILS will remain operational for at least 2 years. Even then, the ILS will be available to users until its use falls below two-thirds the number of actual instrument approaches needed to establish an ILS. Consequently, the user will be the ultimate one who decides when to install MLS avionics.

CURVED APPROACHES

Senator Chiles: Does FAA plan to conduct curved approach tests using large wide body commercial aircraft to demonstrate operational feasibility and safety?

Response: FAA is currently developing test plans for MLS operational tests and demonstrations using large wide body aircraft to be carried out during FY-84, FY-85 and FY-86. Some of this effort will be included in a joint program with the Air Force.

Senator Chiles: What is the minimum straight-in approach length segment needed after the curved approach? How does this compare to straight-in ILS approaches?

Response: The straight-in approach segment length after a curved approach will vary depending on the particular approach procedure. For manual approaches using a conventional flight director where an operational advantage can be gained, a minimum straight-in approach segment of 60 seconds could be achieved for a 90° curved approach. This equates to a segment length of 2 nmi for a typical approach speed of 120 kts for Category C aircraft.

Straight-in ILS approaches are typically 5.5 nmi to 7 nmi in length from the approach gate.

Senator Chiles: Would curved approaches cause problems with the ability of controllers to maintain the required minimum separation between aircraft?

Response: Curved approaches, in general, are not anticipated to present operational/procedural problems for the air traffic controller. However, as these approaches are developed in the future using the full capability of MLS, separation standards will be required to be reviewed for converging application based on standards/criteria established for the actual instrument approach procedure.

Senator Chiles: A recent NASA study stated that no benefit, either in increased airport capacity or decreased flight time, was achieved by MLS over ILS in straight-in final approaches. If this is the case, what are the benefits of MLS?

Response: The study apparently did not consider the potential for lower approach minima with MLS, particularly for Category II and III operations, due to its improved signal quality and siting insensitivity. This could provide a benefit in airport capacity or decreased flight time even for straight-in approaches. Also, the capabilities of MLS will offer opportunities for other capacity applications such as, improved missed approach procedures, elimination of conflicting traffic patterns with adjacent airports, use of separate short runways and wake vortex avoidance.

MICROWAVE LANDING SYSTEM (MLS)

Senator Chiles: We understand that during its only formal reliability and maintainability test, an MLS prototype reached only about one-third of its failure specification requirement. Does FAA plan to conduct further reliability and maintainability testing prior to the procurement of the first production models?

Response: During the prototype development program, the emphasis was on testing signal in space performance and evaluating various hardware design approaches. Reliability and maintainability (R&M) analyses were conducted for the purpose of verifying R&M goals. However, only limited tests are being accomplished on the prototype equipment since this equipment was not designed or built to production standards and, therefore, the results would not be representative of the eventual production equipment. The objective is to identify any trends or critical areas for consideration in finalizing our production specifications. Formal reliability and maintainability tests will be conducted as a part of the first article test program using the initial production systems. Both factory and field tests will be conducted to verify that specification requirements are met prior to accepting the equipment from the contractor. These tests will be performed in the 1985 time frame.

Senator Chiles: We understand that elimination or delayed implementation of MLS would not jeopardize the National Airspace System plan. We were told that the Office of the Secretary of Transportation recently had reservations regarding the justification for replacing ILS with MLS. Since GAO is currently doing a review and their preliminary findings indicate serious concerns regarding

the benefits to be attained with MLS, wouldn't it be prudent to delay procuring MLS until all the data can be properly considered and evaluated?

Response: Elimination or delayed implementation of MLS would seriously impact the National Airspace System plan. The plan is a series of improvements in the areas of safety, capacity, productivity and economy that make use of higher levels of automation, and the application of modern, lower cost technologies. These improvements must be integrated in terms of the total navigation/ATC system so that a balance is achieved that prevents any one function from becoming a limiting factor in achieving these goals. In this context, the MLS was specifically designed for that part of the navigation function that provides service to aircraft for approach and landing. It is one element, and an essential element, in servicing the total flow of air traffic in the National Airspace System. Accordingly, the benefits from improvements in the NAS functions of air traffic control, surveillance, navigation and communications, will not be fully realized unless the approach and landing function is also improved at the same time.

The reservations expressed by the Office of the Secretary of Transportation (OST) were a part of the final program approval process. These were resolved and on April 8, 1983, the OST gave the final approval to proceed with full implementation. The GAO concerns were considered as part of the OST approval and it was determined that there was nothing that invalidated the justification to proceed.

CREATION OF JOBS

Senator Chiles: The Congress has stated clearly that we must move expeditiously to reduce unemployment and stimulate the economy as an anti-recessionary measure. The recently enacted jobs bill was a reflection of this national policy. The regularly funded federal programs such as the Airport Improvement Program and Facilities and Equipment can make a significant contribution to this effort if the federal funds are obligated.

What has the FAA done since October 1, 1982 through the regularly funded aviation programs to contribute to the creation of jobs and counter the recession in this Country?

Response: Both the Construction, MWA appropriation and the Airport Improvement Program fund projects which are labor intensive. I would expect dollars from these appropriations to stimulate local economies where projects are approved. The Airport grants obligation level is 33% higher in FY 1983 than in FY 1982 and as you know, we are working hard to obligate the additional Jobs Bill money within the next 60 days. In the Construction appropriation we plan to let a multi-million dollar contract very soon for extension of runway 18.36 at National Airport.

The increased program levels in the Facilities and Equipment appropriation will undoubtedly fuel some activity; however, this is very difficult to quantify especially in a six-month period.

Here in Washington headquarters we are planning a summer employment program. This provides a chance for 100 or so young people with little or no training to work for a summer and to acquire some marketable skills.

OBLIGATION STATUS

Senator Chiles. What is the status of obligations in the AIP and F&E accounts for this fiscal year?

Response. Obligations through March 1983 for Grants-in-Aid and Facilities and Equipment accounts are $99.3 million and $102.0 million respectively. Anticipated year-end obligations are $804.5 million for Grants-in-Aid and $354.1 million for Facilities and Equipment.

Senator Chiles. What are your expected obligations for the remainder of this fiscal year?

Response. In the remaining six months, we expect to obligate $705.2 million in the Grants-in-Aid account and $252.1 million in the Facilities and Equipment account.

ECONOMIC IMPACT OF AIRPORTS

Senator Chiles: What economic impact does an airport and airport related activity have on the National economy?

Response: Airports are major employers as well as purchasers of goods and material. They are a vital part of our economic fabric, and intricately interwoven into the economy through their basic transportation and communications functions. It is hard to visualize any substantial economic activity without the support of airports.

Many large cities cite their airports as having a "billion dollar impact" on their economy. Employment is significant with 5-50,000 employees not at all unusual. Many airport payrolls of several hundred million can also be cited.

Senator Chiles: Can you describe how jobs can be created by increasing investments in airports?

Response: Airport improvements are labor intensive - from the construction of facilities to food and lodging for travelers. For example, a $5 million construction investment can "generate" 150 jobs. Additional jobs are then "induced" by this initial expenditure, so the $5 million can conceivably induce an additional 100 jobs, above the initial 150.

Senator Chiles: Is it possible to have a significant impact on employment in a specific locality through construction and related activity?

Response: Yes. Part of the impact would come from the actual construction expenditures, and another part from benefits derived from further circulating payroll deeper into the economy.

Airport related activity is equally important. For example, the fastest growing part of the hotel industry is airport associated development. At many cities the most vital, if not the only growth area, is near its airport.

Senator Chiles : How does this compare to highways?

Response: According to the most recent Bureau of Labor Statistics, approximately 32,000 jobs are created for each one billion dollars invested in highway construction and improvement work. Our best projections indicate a similar number of jobs would be created for comparable dollar investments in airport improvement projects.

STATUS OF AVIATION TRUST FUND

Senator Chiles: The Congress approved a major increase in the user fees for aviation to support the Airport Improvement Program and reconstruction of the Air Traffic Control System. It was the expectation that the new revenues flowing into the Aviation Trust Fund would not be allowed to build.

What was the status of the Aviation Trust Fund as of the date the increased user fees were imposed?

Response: The increased user fees were effective September 1, 1982. The uncommitted balance in the Trust Fund as of August 31, 1982, was $2.4 billion.

Senator Chiles: What is the status now?

Response: As of February 28, 1983, (latest data available) the uncommitted balance in the Trust Fund is .860 billion.

Senator Chiles: What is the Trust Fund balance expected to be as of the end of the current Fiscal Year?

Response: At the end of FY 1983, the uncommitted balance is expected to be $1.261 billion.

Senator Chiles: What trust fund balance does FAA feel is an appropriate level to maintain?

Response: We estimate that a balance of about $1 billion should be maintained in the Trust Fund. This would provide a sufficient cushion against errors in estimating the level of revenues and unforeseen increases in program costs.

Senator Chiles: Are you aware of any effort to slow down or constrain expenditures from the Aviation Trust Fund in order to build up the balance for purposes of offsetting deficits in other areas of the budget or for any other purpose?

Response: The Administration has an agreement on a 5-year program with both the users who provide the taxes and the Congress who appropriates the monies from the Trust Fund. The Administration intends to fulfill its part of the agreement. In any one year, however, program specifics may require that we shift funding from one year to another. Airport improvement funds were accelerated

in FY-83 when the "Jobs Bill" increased the obligation limitation, while the F&E request for FY-84 has been reduced due to program slippage. Increased F&E funding will be requested in later years.

CAPACITY CONSTRAINTS AT WASHINGTON NATIONAL AIRPORT

Senator Chiles: It is becoming increasingly difficult for air passengers to get in and out of Washington National Airport. Ground transportation facilities frequently overload and appear to be somewhat disorganized. Ground transportation, with increasing frequency, simply jams up and stops except on the Metro System. Air travelers too often face long lines to get tickets and then too often cannot get a reservation on the flight of their choice. These conditions have existed for a long time at National. In fact, Secretary Drew Lewis early in his tour as Secretary described National Airport as "a disgrace."

What specifically has the FAA done since you have been Administrator to improve conditions at Washington National Airport?

Response: It was clear to me, early in my tenure, that while all seemed to agree that Washington National needed to be changed, very few agreed on what direction these changes should take. It was also clear that previous programs to improve the facilities at National had not progressed because of the underlying uncertainty as to the airport's future role in meeting the area's aviation needs.

During my initial year, we issued, after appropriate opportunity for public participation and comment, a comprehensive policy on the future role to be played by Washington National. Following the adoption of that policy, we turned to the task of laying out a physical plan for the airport's redevelopment. That planning work is now in progress and is scheduled to be completed in August of 1984. While the physical planning is, of course, constrained by the limitations which the policy has placed on National's future growth, we nonetheless expect it to help us fashion a program to physically improve Washington National so that it provides a far greater level of service to its users.

Senator Chiles: Since enplanements are still considerably below what the Secretary has specified as the ceiling for National, how do you account for the increasing difficulties of air passengers with reservations, ticketing and ground transportation at this airport?

Response: Deregulation brought about some rather dramatic changes at Washington National Airport as it did at other airports. The number of air carriers has almost doubled and in most cases they are sharing facilities with older, more established airlines. In some instances, this has led to changed traffic flows through the terminal building and creation of some moderate congestion points that were not evident a few years back. With respect to reservations and ticketing, the airlines determine their own staffing levels for those functions. As the new so-called low cost carriers have come into being, the older established carriers have

tended to control staffing levels more carefully. There is no doubt that automobile congestion can be a significant factor at peak periods. We are now into a physical planning process that, given the later ability to make facility improvements, will provide a better level of service for the passengers.

IMPROVEMENT PLANS FOR NATIONAL

Senator Chiles: What plans do you have to improve conditions at National?

Response: Until our physical planning work is completed, we do not have details available, but we would hope to include the improvement of automobile traffic conditions, to effect a better relationship between the Metro Rail Station and the airline passenger terminals, to improve (and possibly even replace) the North Terminal facilities, and to landscape the airport so that it more appropriately blends with its surroundings.

Senator Chiles: What is the estimated cost of these improvements?

Response: We do not yet have estimated costs for possible improvements at National but would hope to have at least preliminary estimates by mid-1984.

Senator Chiles: When will they be completed?

Response: If we were to move ahead with a redevelopment program at National, even of modest scale, it is unlikely that it would be completed before the late 1980's.

LANDING RIGHTS FOR B-757

Senator Chiles: When will a decision be reached to permit Boeing 757 operations at National Airport?

Response: The decision to permit Boeing 757 operations at National Airport was announced on April 26, 1983, and Eastern Airlines began scheduled service on April 27, 1983.

Senator Chiles: Would not the use of the larger capacity, quieter aircraft be a good way to reduce the number of flights serving National and, at the same time, alleviate the noise problem?

Response: These are, indeed, among the factors which argue for their use at National. There are, however, other important factors which we want to insure are carefully and fully considered before deciding these matters.

SUBCOMMITTEE RECESS

Senator ANDREWS. The committee stands in recess until Thursday, April 14, at 10 a.m., when we will hear the program of the Urban Mass Transportation Administration.

Mr. HELMS. Thank you, Mr. Chairman.

[Whereupon, at 12:15 p.m., Tuesday, April 12, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, April 14.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, APRIL 14, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–192, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, D'Amato, and Bentsen.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

STATEMENT OF ARTHUR E. TEELE, JR., ADMINISTRATOR

ACCOMPANIED BY:

DR. PETER BENJAMIN, ASSOCIATE ADMINISTRATOR FOR TECHNICAL ASSISTANCE
RAY SANDER, EXECUTIVE DIRECTOR
KENT WOODMAN, CHIEF COUNSEL
CAROLE FORYST, ASSOCIATE ADMINISTRATOR FOR BUDGET AND POLICY
BOB McMANUS, ASSOCIATE ADMINISTRATOR FOR GRANTS MANAGEMENT

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The Senate subcommittee will come to order. This morning we will hear the Urban Mass Transportation Administration. We have Mr. Teele with us this morning.

Mr. Teele, welcome back. Let me tell you again, that we have had your statement, we have seen it. Be assured that it will be included in the record as though you read every word of it.

You can summarize it or you can read every word of it if you're entranced with the sound of your voice this morning. When you finish your presentation we will go to oral questions.

PREPARED STATEMENT

Mr. TEELE. Thank you, Mr. Chairman.

Senator ANDREWS. The prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF ARTHUR E. TEELE, JR.

Mr. Chairman and members of this Subcommittee, I am pleased to appear before you to present the Urban Mass Transportation Administration's (UMTA) budget proposal for fiscal year 1984 and to answer any questions you might have. Based on the new programs and authorizations contained in the recently enacted Surface Transportation Assistance Act of 1982, we have developed a budget that is responsive to the basic needs of mass transportation, yet strikes a balance with the important goal of containing the Federal budget deficit. In this statement and in my efforts to respond to your questions, I will also address the major concerns expressed by individual members of this Subcommittee and current issues surrounding mass transit activities.

NEW LEGISLATION

May I begin by first discussing the new mass transportation features of the recently enacted Surface Transportation Assistance Act of 1982 and UMTA's implementation of those features? This landmark legislation will have a positive, lasting impact on our Nation's public transportation systems and I believe will usher a new era for public transportation.

-- For the first time, transit authorities have a dedicated source of Federal funding as a result of the new Mass Transit Account in the Highway Trust Fund. Not only does this assure a stable funding source for a large portion of the mass transportation program, but it also serves as a national model for the states and localities to use in developing their own dedicated source of funding.

-- The new block grant program authorized by Section 9, with its statutory formula, provides greater predictability of annual funding for normal requirements of urbanized areas.

-- This program permits maximum local flexibility and a streamlined grant process that minimizes paperwork.

-- The formula to distribute these funds is an excellent compromise worked out by the Congress. It fairly distributes the funds on the basis of both bus and rail activities.

-- While funds made available for planning purposes under Section 8 will provide for most comprehensive planning activities, Section 9 funds will also be available for the operators to supplement, as necessary, the basic Section 8 funds programmed for such purposes.

Implementation

I am pleased to advise you of the rapid progress we have made in implementing the new legislation. We are, as a matter of highest priority, committed to getting the new program funds obligated and into the local economic stream. Immediately following congressional passage of the legislation on December 23, 1982, we notified over 1,000 potential grantees of the significant features of the new legislation. On January 24, 1983, we published in the Federal Register a partial 65 percent apportionment of the FY 1983 contract authorization of $779 million to allow potential grantees to begin local programming activities necessary to utilize the funds. On February 2, 1983, slightly less than 30 days after signature of the law by the President, the implementing instructions were made available to potential grantees.

In fact, within the first month, more than $85 million had been obligated. In addition to those actions I just listed, we are also undertaking a range of outreach-type activities to further assist grantees. Each of our regional offices has planned one or more sessions with various grantees to explain the principal features of the new legislation and answer questions. In mid-March, APTA held a one-day workshop at which UMTA made presentations and held question-and-answer sessions. Even at this point, UMTA staff are still appearing before a number of workshops and conferences to discuss the new legislation.

As we outlined in our initial Federal Register apportionment, the remaining 35 percent of the Section 9A funding is being reserved while further data needed to complete the apportionment is developed and submitted by our grantees. We will apportion the final funding as soon as possible, but no later than July 1st.

I think it is safe to say that this is the quickest that any new program has been implemented by UMTA. The American Public Transit Association (APTA) has publicly commended UMTA's efforts in implementing the new program, and I would

like especially to recognize the UMTA career staff for their outstanding efforts in the development and implementation of the new program.

Economic Recovery

This Administration is continuing in its efforts to curb further increases in transit operating and capital costs. The impacts of the decreasing rate of inflation are already evident to the transit operators. The President's Economic Recovery Program has produced significant cost savings that, simply put, make transit dollars go farther.

The operating costs of the transit industry were just over $6 billion in 1981. The Administration has succeeded in reducing inflation as shown by a reduction in the Consumer Price Index (CPI) from 13.5 percent in 1980 to just 6.2 percent in 1982. The latest Council of Economic Advisers forecast for April 1983 estimates the 1983 CPI inflation rate at 2.9 percent, less than one-quarter of the 1980 inflation rate. This reduction has had a significant impact on reducing transit operating costs. With approximately 33 percent of the hourly transit workers covered by Cost of Living Allowances (COLA) wage escalation clauses, the decline in the rate of inflation from the 1980 level saved about $60 million in COLA payments in both 1982 and 1983. The recent decline in energy prices is not insignificant. Fuels and lubricants, primarily diesel fuels for buses, accounted for about 6.5 percent of all operating costs in 1981. We estimate that the decline in fuel prices should reduce transit fuel costs by about an average of 6 percent in both 1982 and 1983. These lower fuel costs translate into about $25 million in savings nationwide in each of the two years.

In FY 1983, UMTA-funded construction costs should total about $1.0 billion. The FHWA construction cost index fell 6.3 percent in 1982 relative to 1981. This means UMTA should garner a 6.3 percent gain in real purchasing power for its capital grant programs. In addition, the decline in interest rates should lower the cost of borrowing to transit operators. We believe that the President's Economic Recovery Program is our best, most realistic hope for restoring the financial good health of the transit industry.

Permit me to make another observation. Our efforts to reduce inflation and any real benefits these efforts will bring to the transit industry are contingent upon the development of a new partnership to address mass transit's operating

cost problems. Any success will be due to the efforts of management and labor to increase transit productivity. These efforts are clearly in everyone's long-term interest.

BUDGET PROPOSAL

Turning now to our budget requests, we have put together a package that is reflective of the new programs and authorizations contained in the Surface Transportation Assistance Act of 1982. Our proposals for FY 1984 will provide 44 percent more capital assistance than was obligated in FY 1982. Yet, our budget is in consonance with the total Federal budget. Mr. Chairman, you are fully aware that this Administration is requesting funding levels that are below authorization levels just enacted in the new substantive legislation. Let me assure you, this was not an easy decision to make. However it is, in my opinion, a proper one. Let me briefly give you the reasons why. The core issue remains Federal subsidies for day-to-day operating costs. When the Reagan Administration took office in January of 1981, elimination of operating subsidies over a four year period beginning in FY 1983 was announced as a major program goal. There were, in reality, two reasons for the phase-out. One was a desperate need to bring Federal spending under control . . . an economic imperative that I do not have to tell you is just as real in 1983 as it was in 1981. The second reason was that the Reagan Administration believed, back in 1981, that providing operating subsidies for day-to-day mass transit operations was simply not a proper role for the Federal Government. It wasn't then, and it isn't now. The history of the Federal operating assistance program was one of unit operating costs increasing at a rate in excess of inflation over the period 1975 through 1980, and a corresponding decline in productivity over the same period. These were thought to be serious shortcomings of the transit program when this Administration first reviewed it back in early 1981. The reasons why the phase-out was necessary in 1981 remain valid today: Federal expenditures must be restrained at every possible turn, and Federal operating subsidies have served to raise transit costs.

Let me now discuss our specific budget proposal for FY 1984 and necessary supplementals for FY 1983 before we go on to other issues critical to the future strength of public mass transportation.

1983 Supplemental Appropriations

First, our budget includes two supplemental requests for FY 1983. An additional $539 thousand is needed to cover the increased costs resulting from the October 1982 pay raise. With our offsetting transfer from the remaining $204 thousand unobligated balance for the Fare Free Demonstration program, only $335 thousand in new budget authority is required. Our second supplemental request is for an initial liquidating cash appropriation of $55 million to make disbursements from the newly established Mass Transit Account of the Highway Trust Fund. Until we receive a liquidating cash appropriation, we will not be able to reimburse grants recipients for any costs incurred under the Section 9A program.

As you know, the Administration initially proposed to defer $229 million of the $779 million trust fund authorization provided by the new Surface Transportation Assistance Act. While congressional action obviates our proposed obligation limitation for FY 1983, we still have a critical need for the $55 million in liquidating cash. This cash request was, of course, developed in consideration of a $550 million obligation limitation. Yet even with the full $779 million in contract authority being made available this year, we still expect the $55 million in liquidating cash to suffice. Again, I emphasize that UMTA may not reimburse grant recipients until a supplemental cash appropriation is enacted from the Mass Transit Account.

Formula Grants

In FY 1984, an appropriation of $1,973.5 million is proposed to fund the new Formula Grants program. As required by the new Surface Transportation Assistance Act of 1982, 2.93 percent of this amount, or about $57.8 million, would continue funding under Section 18 for mass transportation projects in non-urbanized areas. The statutory formula for Section 18 calls for funding to be apportioned by population. The remaining $1,915.7 million would be made available to urbanized areas according to two new sets of statutory formulas, one for areas under 200,000 in population and another for areas with populations in excess of 200,000. These somewhat complex formulas distribute funding on the basis of such factors as revenue miles, route miles, population, and population density.

This new Formula Grants program will become the principal Federal source of funds for routine capital grant projects and the sole source for limited operating subsidies. These activities would include replacement of overage buses, expansion of bus service, normal bus facility modernization and/or construction, bus rehabilitation and purchase of related support equipment, such as computer hardware and software, radios, passenger shelters, bus stop signs, fare boxes and significant spare parts such as engines, transmissions and air-conditioning units. A good portion of the rail modernization activity will also be accomplished under the formula program. However, these needs are known to be substantial, and it is planned that the Section 3 Discretionary Grants program will supplement the formula grant funding in the existing rail cities.

Discretionary Grants

As authorized by the Surface Transportation Assistance Act of 1982, the establishment of the Mass Transit Account of the Highway Trust Fund will provide approximately $1.1 billion per year to be derived from the one-cent increase in the user fee on motor fuels.

In FY 1983, the user fee is being distributed according to statutory formulas contained in Sections 9A and 18. However, in FY 1984, under the new legislation, the user fee will be available for Discretionary Grants under Section 3 of the Urban Mass Transportation Act. Funding under the Section 3 Discretionary Grants program will, as in the past, be used to finance transit capital and certain planning projects on a discretionary basis. These would include extraordinary needs such as rehabilitation and modernization of commuter rail and fixed-guideway systems, certain types of major bus purchases, and the upgrading of facilities.

Our budget proposes an FY 1984 obligation limitation of $1.1 billion on the $1.25 billion trust fund authorization for Discretionary Grants. Our rationale here is to set an annual program level that is more consistent with the latest anticipated trust fund revenues of about $1.1 billion.

Mr. Chairman, the Department of Transportation has reconsidered its previous position on funding new rail start projects. The Department intends to consider

the funding of cost-effective new starts from the urban discretionary grant program on a case-by-case basis. However, it remains this Administration's firm policy that current transit needs should be first met by rehabilitating and modernizing existing transit systems.

We take note that the Congress in the Conference Report accompanying the Surface Transportation Assistance Act of 1982 has specifically stated that "a fair share of the funds to be set aside for mass transit be allocated to rapidly growing cities to fund cost-effective new rail construction." I also note Secretary Dole's commitment in Congressional testimony that she will support full consideration of funding new starts from the recently established transit trust fund.

In considering potential projects, we will pay particular attention to the following factors:

-- Results of alternatives analysis;
-- Cost-effectiveness; and
-- The degree of local financial commitment, including evidence of stable and dependable funding sources to operate the system.

Other factors that may be considered include:

-- Degree of local government support;
-- Degree of private sector support;
-- Degree of community support; and
-- Participation of minority business.

However, in no case will UMTA support any new starts project that is not cost-effective. This Administration firmly believes that prior to the commencement of new starts existing commitments, rail modernization and both extraordinary and ordinary bus demands must be fully addressed. APTA has estimated that approximately $3 billion of projects in these categories are currently ready to proceed.

We expect transit authorities to first use the Section 9 Formula Grants program to meet the demand for rail modernization, bus purchases, bus-related facilities

and other appropriate capital needs. The trust funded Discretionary Grants program would then be used to help meet the remaining demand and round out the total Federal assistance picture.

In distributing the limited funds available to the many deserving projects, we first plan to accommodate outstanding Letters of Intent, Full Funding Contracts, and other existing commitments through the Section 3 Discretionary Grants program.

This will account for a total of $373.3 million as indicated below:

Letters of Intent	$ 75.9
Congressional Directions	25.0
Full Funding Contracts	75.5
Other Existing Commitments	196.9
	$373.3

Next, we must provide funds for the congressionally mandated Section 8 and 16(b)(2) programs as well as innovative techniques and technology introduction, which will utilize approximately $88 million, as follows:

Section 8 Planning	$ 50.0
Section 16(b)(2) Elderly and Handicapped	28.0
Section 4(i) Innovative Techniques and Section 3(a)(1)(c) Technology Introduction	10.0
	$88.0

Mr. Chairman, after honoring these commitments from the $1.1 billion available, $638.7 million remains.

With the remaining $638.7 million funding, modernization of existing rail systems continues to be our highest priority. Transit systems in old rail cities carry 61 percent of all U.S. transit riders and most of these systems have been heavily supported by State and local government funds. We believe it will be necessary to use some of this Section 3 balance for rail modernization just to keep the backlog from increasing, even assuming a low inflation rate. To reduce or eliminate the backlog over a 10-year period could justifiably require the entire balance of the Section 3 resource.

Our next priority is to meet extraordinary bus needs above the amount available under Section 9. Some of the Section 3 balance may be needed for this purpose, most likely in large urbanized areas with substantial maintenance facility backlogs or the need to expand bus fleets.

Funding of cost-effective new start systems should be considered only after needs in rail modernization and bus system categories have been reasonably accommodated.

Earmarkings

You will note that our budget proposal for Discretionary Grants does not identify specific projects to be funded in FY 1984. This was a deliberate intention on our part, and I am hopeful that Congress will refrain from earmarking the $1.1 billion obligation limitation proposed for FY 1984. Since the intent of the Discretionary Grants program is to supplement the Formula Grants program, earmarking prematurely, before the uses of the Formula Grants funding are determined, will restrict UMTA's ability to efficiently manage the program and apply a sense of equity in distributing funds which are collected from all jurisdictions. UMTA should have the ability to quickly meet needs. Where earmarking does not correspond to real needs for the year, then time-consuming reprogramming actions must be undertaken. Also, earmarking may have a perverse effect if it leverages local matching funds in an untimely way or absents the local community concensus which is a fundamental aspect of new federalism and returning decision-making to local government.

Washington Metro

Our budget proposal for FY 1984 includes an appropriation request of $230 million for Washington Metro. Funding requested under the Stark-Harris legislation for Washington Metro together with funding also to be made available under other UMTA funding sources should provide $275 million in new funds for FY 1984.

Interstate Transfer Grants - Transit

The budget proposal for transit projects substituted for withdrawn Interstate highway segments is $380 million. This appropriation request is the same level as is the authorization contained in the Surface Transportation Assistance Act.

In accordance with this new legislation, 50 percent of the FY 1984 appropriation will be distributed in proportion to a congressionally approved estimate of the cost to complete proposed substitute transit projects. Distribution of the remaining 50 percent is to be left to the discretion of the Secretary.

As you may know, FHWA and UMTA have agreed to jointly undertake the mandated studies to determine the cost to complete both transit and highway substitute projects. In accordance with the law, the studies will be forwarded to Congress.

Research, Training, and Administration

The Surface Transportation Assistance Act of 1982 provides a single authorization for UMTA research, training, the Human Resources program and administrative activities. Under this authorization, an appropriation of $81.7 million is requested. $47 million will fund our continuing technical assistance activities for the transit industry, including research, development, demonstration, and training programs as well as the new Centers for Transit Research and Management Development. Designated last fiscal year, these centers are already offering training and technical assistance to transit agencies, and are rapidly becoming both regional and national transit resource centers. We are looking forward to their continued growth and increasing contributions to the industry. I am happy to report the very enthusiastic response the transit industry is giving to the new focus this technical assistance program is providing as a resource on such issues as improved productivity, reliability and service; reduced costs, particularly in operations and maintenance; enhanced use of information, including the Section 15 national statistics and local managerial information systems; better planning techniques for assessing such factors as impacts of fare, route, and schedule changes; and more reliable and efficient equipment. Our extensive outreach program, in cooperation with such groups as the Conference of Mayors, National League of Cities, APTA, Transportation Research Board, Urban Consortium and many others, is a critical element in assisting transit agencies to adjust to current financial constraints by improving the operations and management of their systems.

We are also requesting, under this heading, a minimum of $5 million for our Section 20 Human Resources Program as authorized by the Surface Transportation

Assistance Act of 1982. Through FY 1983, this important program was financed out of Section 3 Discretionary Grants. The growing importance and acknowledgement of Human Resources needs in transit has become very apparent and logically follows as a direct result of a growing concern about the productivity and reliability of transit operations. Accordingly, we believe that it is incumbent upon us to provide the industry with technical assistance and training in this vital area.

Thus, the resulting objectives for our Human Resources Program are training to enhance the effectiveness and efficiency of transit delivery; outreach programs to increase minority and female employment in public transportation activities; labor relations; and the development of innovative programs to assist minorities in overcoming historical barriers to participation in transit projects, such as bonding, venture capital, and management assistance.

Finally, our budget proposes $29.7 million for administrative expenses in FY 1984, only a slight increase over FY 1983 levels. We are asking for 525 positions, the same number as we have been authorized in FY 1983. The minor increases in this administrative expenses category are prompted by rises in personnel compensation costs, increases in travel needs to extend our technical assistance outreach initiatives, and increases in rent and office equipment requirements.

CURRENT ISSUES

Before I touch upon our recent achievements in responding to congressional direction, I would like to address several major issues concerning mass transportation.

Operating Assistance

Mr. Chairman, I have already stated the Reagan Administration's opposition to operating assistance, but I would like to take this opportunity to make one final point. When I appeared before this committee last year, I presented an FY 1983 budget proposal that would have restricted operating assistance to $640 million and advised that we would propose a limitation of $275 million for FY 1984. We have stood by our plan for phasing out operating assistance and

are, in fact, proposing a cap of $275 million under the new Section 9 portion of the Formula Grants program. This Administration has been both candid and consistent regarding our opposition to operating assistance.

Federal operating subsidies have distorted local service and financing decisions and have resulted in excessive costs, declining productivity, and unrealistically low fares. But these negative results are reversible, and we are making extensive use of our Technical Assistance Program to encourage these changes. I can report that aggressive transit systems have already taken actions to reduce costs and improve productivity. Their actions were taken in response to general budgetary pressures reinforced by the reductions that have already occurred in Federal operating assistance and the expectation of more reductions. The potential for further action is great and would be stimulated by the phase-out.

There has been an increasing trend towards use of local dedicated revenue sources for transit. Also, the decline in farebox coverage of operating costs appears to have been halted according to preliminary APTA figures. In addition, private sector operators are demonstrating a broad capability for supplying commuter bus and special paratransit services including vehicles. We believe that these efforts represent clear signs that a phase-out of Federal operating subsidies can be effectively accomplished. Prudent management by local officials, transit managers, and the private sector will rise to the challenge of maintaining and improving our Nation's public transit systems. By beginning to phase-out operating assistance, we have been able to boost the funds available to meet capital needs. When compared with the FY 1982 capital program, the 1984 UMTA capital program has increased by 44 percent and remains at about the same level as FY 1983 even including the additional funding made available by the Jobs Bill.

This is in keeping with the Administration's program for rebuilding and modernizing our Nation's transit systems. It aims at correcting deferred maintenance and obsolescence of these systems so that their benefits will not be lost to the cities.

New Starts

DOT is well aware and sensitive to Congress' views on construction of new fixed guideway projects. UMTA will review and consider new start projects with an eye to cost-effectiveness, local financial commitments and overall budgetary constraints. UMTA will not, however, support any new start project that is not cost-effective.

Alternatives Analyses

It is the policy of this Administration to fund alternatives analyses/cost-effectiveness studies with Section 8 funds and the new Section 9 formula funds. This will result in better planned, more efficient systems. Even where Federal financial assistance for capital construction may not be forthcoming or will be constrained, alternatives analyses can help local officials select the most cost-effective and financially feasible transportation systems.

Advanced Group Rapid Transit (AGRT)

For the past two fiscal years, the AGRT program has been continued by congressional direction, even though the Administration has recommended discontinuation of this program. However, we do intend to fully spend the funds as directed by Congress. All of the $14.5 million available for the AGRT contracts in FY 1983 have already been committed.

The present AGRT project is aimed at demonstrating the basic control technology required to operate a system of small vehicles at close headways -- close intervals. The project includes the design, fabrication, and planned testing of this technology. We are not requesting any additional funding in FY 1984 for this project.

Section 18, Administration

I would like to report, as many of you already have heard, that UMTA will be directly administering the Section 18 non-urban formula grants program in the near future. The administration of the program since its inception in 1978 has been the joint responsibility of UMTA and FHWA. FHWA initially administered the program since it had an extensive field staff in place, while UMTA was only beginning to decentralize. Now that UMTA has its field staff largely in place,

Federal Highway Administrator Barnhart and I agree that it makes sense to join the administration of all non-urbanized area transit programs - Section 3, 16(b)(2) and 18 - under one organization. The Administration of the Section 18 program by UMTA will not occur completely until FY 1984. During the transition phase, I personally pledge that there will be no disruption in the Section 18 program and that UMTA and FHWA will work closely together to ensure the continued delivery of Section 18 funds.

Status of the Nation's Transit Industry

Three sweeping changes have altered transit's urban function in the past 20 years. First, population shifts to sunbelt States, where transit service is limited, and the decentralization of work locations in nearly all cities have undermined transit's historical advantages for meeting work trip demand. Thus, work trips on transit declined steadily from World War II until the mid-1970's when public takeovers and subsidies reversed this trend.

Secondly, improved economic conditions, automobile ownership and highway capacity have consistently extended automobile use to more members of our society. The result is decreased dependence on transit in the context of increased urban mobility. Total urban passenger miles per capita increased by 16 percent during the 1970's.

The third significant change affecting transit has been the wholesale public takeover and subsidization of transit services since the late 1960's. The provision of service has been so altered that, despite the demographic, economic and social changes just mentioned, conventional transit provided the same share of total urban mobility in 1980 as it had in 1970--about 3.5 percent of urban passenger miles. This was achieved by diverse local strategies that included extensive increases in bus services to more distant suburbs.

Transit's basic function of providing worktrips in highly congested corridors continues. However, the evidence suggests that since the mid-1970's nonwork trips have begun to outnumber work trips on transit. Economic dependency continues to play a very important part in the use of transit services.

Transit's adaptations have been costly owing to the combined effects of institutionalized work rules, operating conditions and the fare and service

packages that are often adopted to elicit community support. The evidence suggests that distance-based pricing, that is, fares that are commensurate with distance, as opposed to flat fares, would lead to greater equality of net burdens on and benefits to taxpayers and patrons. This would eventually reduce total fares and taxes and promote better service for persons who are dependent on transit. This approach would reinstitute the discipline of the market and encourage long term equilibrium in the industry.

Maintenance Problems in the Transit Industry

Concern has been expressed about the impact on maintenance that the phase-out of Federal operating assistance may have. Maintenance has been especially troublesome for the transit industry over the past 20 years. It is interesting to note that the industry norm for spare ratios, a proxy for the condition of maintenance, was 5 percent for electric vehicles and 10 percent for buses in 1964. It is generally accepted as twice that ratio now. Many properties are closer to three times this ratio. Clearly, the advent of the Urban Mass Transportation Act of 1964 did little to turn around the maintenance problem.

It is time to look at the root cause of the maintenance problem in the transit industry -- a lack of commitment from the top down to accomplishing the traditional tasks required for effective maintenance. Congress has reason to be concerned about this issue and through enactment of the Surface Transportation Assistance Act of 1982, it has given us important leverage to deal effectively with this root problem.

Section 304(a)(3) provided that there be sufficient capability to maintain facilities and equipment before approving Section 3 grant applications. Beginning in FY 1984, we are calling for Section 3 grantees to describe their maintenance policy in their grant applications. We have focused on the term "policy" to get the attention of the top executives and board members. Once these maintenance policies are set locally, it will aid us in making this important new determination added to our Act. Also, it will provide input to our later reviews recently added in Section 9(g)(2).

CONGRESSIONAL DIRECTIVES

Mr. Chairman and Members of the Committee, as the final element of my testimony I proffer a report on UMTA's compliance during the past year in responding to specific congressional directions provided by the Appropriations Committees during action on our FY 1983 budget request and by the Department of Transportation and Related Agencies Appropriations Act, 1983.

Highlights of specific directives in the FY 1983 Appropriations Act follow:

Alternatives Analysis Studies

I am pleased to report that UMTA is complying with this Committee's direction that we resume funding for alternatives analysis. We are currently funding detailed corridor planning studies involving fixed guideway alternatives in Baltimore, Boston, Columbus, Minneapolis, New York, Pittsburgh, St. Louis, San Francisco and Seattle. Alternatives analysis grant applications submitted by Cincinnati, Milwaukee and Miami are currently under review. We expect that Cleveland, Gary and Houston will also be seeking funds to undertake alternatives analysis this year, and that Baltimore and San Francisco will be seeking additional funding. Two cities which the Committee designated for funding, Kansas City and San Juan, have elected to defer alternatives analysis for future years while Portland will be using UMTA funds to undertake further preliminary planning as a prelude to possible future alternatives analyses.

These studies will allow local officials to sort out the costs and benefits of options for improving transit service, to identify those improvements which are most cost-effective, and to develop funding mechanisms to support project implementation. Alternatives analysis also produces the data UMTA uses to determine if or to what extent a project merits Federal support and to prioritize those projects which are found to be cost-effective.

San Diego Light Rail Study

Last year we were asked about the findings of the San Diego light rail study and promised to transmit them to the Committee when available. The final report of the study is expected to be completed shortly and will be forwarded as soon as it is available.

Study of Rehabilitation versus New Buses

UMTA has completed a study of the advantages and disadvantages of rehabilitating buses versus buying new ones. The study identified the various issues which need to be addressed in making that decision, and a "workbook" to carry through an analysis of which option to choose has been developed. It is necessary for each transit agency to decide this issue for itself based largely upon local factors.

Urban Initiatives Project Evaluation

An evaluation of the FY 1982 Urban Initiatives Projects to determine the merits of the program is due for completion during FY 1984. We will be transmitting a status report to Congress shortly.

Rail Modernization Needs Study

The procurement is currently underway for a 13-month study effort on rail modernization, and a status report was sent to Congress February 2, 1983.

Interstate Transfer Grants - Transit

We are complying with the earmarking established by both the 1983 Continuing Resolution and the Jobs Bill. To date, $146.6 million of the $412 million available has been obligated.

MBE Program Report

We have completed a report on monitoring adherence to Minority Business Enterprise guidelines which was transmitted to Congress on March 23, 1983. We believe that our ongoing efforts in enforcement and monitoring and the leadership initiatives outlined in the report will realize the full intent of Congress regarding MBE participation.

Bus Facilities

Funds for bus facilities in several cities were earmarked for FY 1983. The current status is as follows:

-- $3.8 million for the Long Beach maintenance facility was released on September 15, 1982.

-- We expect an application in April and funds should be released in June to Santa Clara Rapid Transit District for the Santa Clara Mall project.

-- Niagara Falls Center funds were released March 23, 1983.

-- Seattle - An application for $1.5 million for its Metro downtown project is expected this month.

Report on Section 3 Grants to Eight Major Rail Cities

A report showing the distribution of Section 3 bus grants to major rail cities was submitted to Congress on February 24, 1983.

Portland Tri-Met Funding

Although a funding schedule of $12 million per year for six years was agreed upon under the Letter of Intent for the Portland Tri-Met area, the FY 1983 requirement for three projects is only $4.7 million. We expect that Tri-Met will submit an application for additional Section 3 funds in July 1983.

Rail Modernization and Extensions

-- Fort Worth/Dallas, Rock Island Line Right-of-Way

A preliminary application for $27 million was received on February 2, 1983. 13(c) clearance is needed before the final grant can be released. A Letter of No Prejudice for administrative expenses was issued on February 4, 1983.

-- Chicago RTA - UMTA is currently processing an application for the Chicago Regional Transit Authority which we expect to approve within the next two weeks.

-- Chicago RTA Commuter Rail

-A grant was made on March 16, 1983, to the Chicago RTA to help stabilize fares. Since the funding is transferred from the Federal Railroad Administration, many UMTA requirements do not apply.

-- Milwaukee

An application has been received from the Milwaukee RTA and UMTA is currently reviewing its system plan. We expect to make a decision, in the next two months, on the preferred alternative Milwaukee should consider.

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Tampa Station

Tampa officials say timing precludes the FY 1983 submission of the application for construction and Tampa has requested a Letter of Intent. Since a Letter of Intent is generally used for multi-year projects in excess of $100 million, I did not believe it would be appropriate for the Tampa project. However, I have written a letter indicating our strong commitment to fund this project in FY 1984 when the application can be finalized.

Ferryboat Study

On March 1, 1983, Representative Glenn Anderson, Chairman, Subcommittee on Surface Transportation, House Public Works and Transportation, wrote to Secretary Dole to suggest that the Virgin Islands be considered as a possible site for the Waterborne Transportation Survey and Analysis study. We, in fact, plan to include the Virgin Islands as one of the sites to be studied.

New Systems and New Extensions

The status of FY 1983 funding for new systems and new extensions is as follows:

-- Baltimore - The full $30 million was released on March 9, 1983.

-- Buffalo (light rail) - $6.8 million of the $19.5 million earmarked for the La Salle Street Station and Tonawanda Turnout in the regular Appropriations Act has been obligated. The balance is expected to be obligated this month. With respect to the $19 million earmarked in the Jobs Bill, we just received Buffalo's applications.

-- Miami (rail) - $21 million of the $32.4 million has been obligated. At this time, approximately $20 million of extraordinary costs is being examined by UMTA for eligibility.

-- Atlanta - As directed by the Senate Appropriations Committee, we submitted a request to reprogram $40 million in Urban Discretionary Grants from the Bus and Bus Facilities activity to the New Systems and New Extensions activity. In a letter dated March 24, you approved the reprogramming of half of the amount, or $20 million. This $20 million was immediately released along with another $20 million appropriated under New Systems and New Extensions. I am pleased to report to you today that this $40 million is now obligated, and I stand ready to address any questions you may have concerning the $20 million reprogramming you deferred action upon until I appeared before you today.

-- Miami (circulator) - Of the $27.1 million appropriated, $27 million has already been obligated. The remaining $100 thousand will be used for other Miami projects.

-- Detroit (automated system) - In a March 1, 1983, letter, Detroit advised that it would not be submitting an application for the $30.5 million until August.

-- Los Angeles - The full $25 million was obligated on March 31, 1983.

-- Santa Clara (engineering and right-of-way) - A grant for the full amount of $15 million cannot be released until a final Environmental Impact Statement is completed, probably by August.

-- Portland - Of $5 million appropriated, $4.1 million was obligated on April 1, 1983, for an add-on to a full funding contract for a new system extension. The remaining $0.9 million cannot be used at this time according to Tri-Met.

Innovative Techniques 4(i) and Technology Introduction 3(a)(1)(c)

Projects under these two programs permit transit agencies to introduce new equipment and techniques which can improve services while reducing operating costs. Projects selected for FY 1983 have just been announced, and include the New York Metropolitan Transportation Authority demonstration identified in last year's Senate Appropriations Committee Report.

Life Cycle Costing

UMTA is continuing its efforts of documenting procurement experience with Life Cycle Costing and disseminating this information to the transit industry. A compendium of techniques successfully applied and simplified methods for Life Cycle Costing applic: ion has already been made available. We are collecting and disseminating in standardized format Life Cycle Costing data on existing vehicles, equipment, and subsystems. Data on fuel economy for full size buses is now available. We are also providing direct technical assistance to grantees upon request.

Labor/Management Conferences, Florida International University

A continuing cooperative agreement with Florida International University was released on March 9, 1983. A conference will be held later this year.

Bus and Paratransit

$1.3 million has been obligated for the Santa Barbara Roadway Powered Electric Vehicle Project.

Service and Methods Demonstration

An application for the Georgetown Vehicle Access Demonstration Project is expected in May. Approval is not expected until September due to the need to meet environmental impact and public hearing requirements. Since obligation of these funds this fiscal year is questionable, we intend to seek reprogramming authority for the $7 million earmarked for the project by Congress.

Miami (rail)

An application has been received for additional funding for the Phase I extension and is awaiting 13(c) clearance.

Miami - (Earlington Heights Station)

Maximum flexibility has already been given, as directed by Congress. A contract for the station must await court action in Florida. Since there is not yet a contract, "extraordinary costs" cannot be spelled out.

Letter of No Prejudice for Santa Clara Guadalupe Rolling Stock

A Letter of No Prejudice was delivered to Santa Clara on February 25, 1983, to cover the purchase of rolling stock for the Guadalupe light rail system in Santa Clara County, California. A letter was just sent to the Chairman of the full Appropriations Committee informing him of this action.

CONCLUSION

In summary, Mr. Chairman, we are convinced that our budget proposal before you today represents a substantial Federal commitment to the capital and technical assistance needs of the public mass transportation systems in America, especially in light of the vast other demands being placed on the Federal budget. We are at the dawn of a renaissance in the field of urban mass transportation. With passage of the Surface Transportation Assistance Act of 1982, dramatic and far-reaching changes have been made. For the first time there is a dedicated Federal funding source for public transportation. There will be greater local funding predictability and control of decisions regarding use of funds. And, transit agencies will no longer have to file lengthy individual grant applications for each and every project.

Mr. Chairman, you have my strong personal support of this new legislation. I appear before you here today to offer my assistance and to work with you during your Committee's deliberations on our FY 1984 Budget for the Urban Mass Transportation Administration. Together, we will achieve the long overdue renaissance in mass transportation so vital to the survival and economic welfare of our great Nation.

Accompanying me today to help answer your questions about our program are Carole Foryst, Associate Administrator for Budget and Policy; Kent Woodman, Chief Counsel; Raymond J. Sander, Executive Director; Peter Benjamin, Associate Administrator for Technical Assistance; and Robert McManus, Associate Administrator for Grants Management.

Mr. Chairman, and Members of the Committee, thank you for your careful and judicious consideration of UMTA's FY 1984 budget requests.

INTRODUCTION OF ASSOCIATES

Mr. TEELE. Good morning. I am here to present and discuss the fiscal year 1984 budget request in this statement, and in my efforts to respond to your questions, I will also address the major concerns expressed by the individual members of this subcommittee during the past year.

I would like to introduce the UMTA staff who are with me today. On my far left is Dr. Peter Benjamin, Associate Administrator for Technical Assistance. Next is Ray Sander, the Executive Director. On my immediate left is Kent Woodman, Chief Counsel. On my immediate right is Carole Foryst, the Associate Administrator for Budget and Policy. On my far right is Bob McManus, the Associate Administrator for Grants Management.

As you know, Mr. Chairman, I submitted a detailed introductory statement for the record, and in that statement we have provided a comprehensive status of the congressional directives and interests. I believe that you will see that we have been especially attentive to the congressional directives which have been received.

Today, if it meets with your approval, Mr. Chairman, I propose to briefly summarize those portions of my detailed statement concerning our budget request and a few major issues before I answer the questions from the committee.

While there are a number of areas of legitimate concern, let me emphasize a few primary policies which have had a significant impact on mass transportation. I am especially aware of your interests with respect to the Federal role in the provision of operating assistance, new starts and the economic recovery's relationship to the transit industry.

ECONOMIC RECOVERY

This administration is continuing our efforts to curb further increases in the transit operating and capital costs. The impacts of the decreasing rate of inflation are already evident to transit operators. Mr. Chairman, and members of this subcommittee, I am very pleased to report to you that the President's economic recovery program has had a very positive effect. This program has had a significant cost savings that, simply put, will make our transit dollars go further.

The administration has succeeded in reducing the rate of inflation, and this reduction particularly has had a significant impact on transit operating costs. For example, with approximately 33 percent of the transit workers covered by cost-of-living allowance wage escalation clauses, the decline in the interest and the rate of inflation from 1980 levels has saved about $60 million in payments in both fiscal years 1982–83. I can cite other significant savings in the area of fuel and construction costs.

In the long term, we believe the President's economic recovery program is our best and most realistic hope for restoring the financial good health to our Nation's transit industries.

NEW STARTS

In considering potential projects, we will pay particularly close attention to the results of alternatives analysis and cost effectiveness and the degree of local financial commitment, including evidence of stable and dependable funding sources to operate systems. Other factors that may be considered include the degree of local government support, private sector support and community support, and the participation of minority and women businesses.

In no case, however, Mr. Chairman, will UMTA support new start projects that are not cost effective. The administration has reconsidered its previous position on the funding of new rail starts. The Department intends to consider the funding of cost-effective new start systems on a case-by-case basis from our urban discretionary grant program. However, it remains this administration's firm policy that current transit needs should first be met by rehabilitating and modernizing existing transit systems.

This administration firmly believes that prior to the funding of new starts existing commitments, rail modernization and both extraordinary and ordinary bus demands should be met and addressed. We expect transit authorities to first use their section 9 formula grant funds to meet the demand for rail modernization, bus purchases and bus-related facilities, and other appropriate capital needs. The discretionary program would, therefore, be used to help meet the remaining demands and to round out the total Federal assistance picture.

In distributing the limited funds available for the many deserving projects, we first plan to accommodate outstanding letters of intent, full funding contracts and other existing commitments. This will account for approximately $373.3 million.

Next, we intend to provide approximately $88 million for the congressionally mandated section 8 and section 16(b)(2) programs as well as innovative techniques and technology introduction programs. Mr. Chairman, after honoring these commitments from the $1.1 billion that is available, $638.7 million remain. With the remaining $638.7 million, modernizing of existing rail systems continues to be our highest priority. We believe it will be necessary to use some of the balance of the section 3 funds to keep the rail modernization backlog from increasing. And to reduce or eliminate the backlog over a 10-year period could justifiably require committing the existing balance of the section 3 resources beginning in fiscal year 1984.

Our next priority is to meet the extraordinary bus needs above the available section 9. Some portion of the section 3 balance may be necessary to address this need, and most likely, the funds would be needed in large urbanized areas with substantial maintenance facility backlogs or the need to expand their existing bus fleet.

Funding of cost effective new start systems, we therefore believe, should be considered only after the rail modernization and bus system categories have been accommodated. In fact, the American Public Transit Association (APTA) estimated that approximately $3 billion of projects in these categories are currently ready to proceed.

Mr. Chairman, I have a very lengthy statement on operating subsidies, but I think we can perhaps come back to that because I am certain that we will be receiving several questions on that, at least if my instincts are correct.

Senator ANDREWS. You are almost clairvoyant this morning, Mr. Teele.

BUDGET REQUEST

Mr. TEELE. An appropriation of $1.973 billion is requested to fund the new formula grants program. As required by the Surface Transportation Assistance Act of 1982, some $57.8 million would continue the funding under the section 18 program for other than urbanized areas in accordance with the new statutory formula.

For the interstate transfer grants program, we are requesting a budget of $380 million. This appropriation request is the same level as contained in the Surface Transportation Assistance Act, and with regard to research and training and administration, the Surface Transportation Assistance Act of 1982 provides for a single authorization for research, training and human resources programs, and administrative activities.

The sum of $47 million will fund our continued technical assistance activities for the transit industry, including research, development and demonstrations, as well as training programs. We are requesting a minimum of $5 million for our new section 20 human resources program. The growing importance and acknowledgment of the human resources needs in transit have become very apparent.

Last, we will be requesting $29.7 million for administrative expenses which is only a slight increase over 1983.

SUMMARY OF OPENING STATEMENT

In summary, Mr. Chairman, and members of this distinguished committee, we are convinced that our budget proposal before you today represents a substantial Federal commitment to the capital and technical assistance needs of the public mass transportation systems in America, especially in light of the vast other demands being placed upon the Federal budget. With the passage of the Surface Transportation Assistance Act of 1982, dramatic and far-reaching changes have been made. We believe we are at the dawn of a renaissance in the field of urban mass transportation. For the first time, there is a dedicated Federal funding source for public transportation. There will be greater local control and local funding predictability and control over decisions regarding the use of these funds. And, transit agencies will no longer have to file a lengthy, independent grant application for each and every project, but instead, will utilize a vastly simplified single annual application.

Mr. Chairman, I appear today to offer my assistance and that of the agency to work with you during your committee's deliberation. In doing so, together we will stimulate the long overdue renaissance in mass transportation so vital to the survival and economic welfare of our great Nation.

Mr. Chairman, and the members of the committee, thank you for your consideration of the UMTA fiscal year 1984 budget request.

DECLINE IN TRANSIT USE

Senator ANDREWS. I am glad we are getting into a renaissance now because I was wondering how it was all going to come out. But that sounds like we will plan it right.

The Census Bureau recently released the results of a study of transit ridership for workers during the seventies. The results show a decline in transit use from 9 percent of the work force in 1970 to 6 percent despite an increase in the Nation's work force. The percentage of transit users is now roughly the same as the number of commuters who walk to work. What does this indicate about our transit system?

Mr. TEELE. First of all, Mr. Chairman, the census study really should be viewed in two parts: the period between 1970–75 where there was an increase or actually the ridership figures were being held steady; the period between 1975–80 when in fact, there was a decline, which basically tends to show that there was a decline aggregated over the entire 10-year period. That is, a decline between the last 5 years did outweigh or outstrip the increase and the steady levels during the first 5 years. Essentially, they did show that there was a shift in the population patterns from the suburban areas in terms of transit away from the urbanized areas, and in fact, we are continuing to analyze this data very closely.

It is significant to show that the total number of riders did decline, but the percentages as it relates to the uses of transit remain the same, that is to say, that the principal use of transit continues to be a use from home or residential place to a workplace and return. And we believe that this continues to underscore the need to provide public transportation, particularly in light of the overall emphasis of the Congress and this administration to get Americans back to work.

TRANSIT RIDERSHIP

Senator ANDREWS. That is great, but it would seem since things have been going more awry during the last 5 years of the decade than during the first 5, that perhaps planners have concentrated on transit systems for urbanized areas while the population has moved to the suburbs. And as you pointed out just a moment ago, Mr. Teele, people want to get from their home to work, but their home is out in the suburbs. We are building all these transit systems to go around inside the urban areas. Are we possibly moving in the wrong direction?

Mr. TEELE. Well, I would not think that we are, Mr. Chairman. I think what we are beginning to see particularly is more in the area of satellite parking, park-and-ride parking lots and the satellite transit systems that are primarily devoted toward suburban dwellers. And therefore, I think what we will see during this period in the next 5 years is a shift in the area of emphasis. But I do think that it continues to be important that the central and focal use of transit and transit ridership continues to be the individuals that are using transit to and from work. In fact, the census figure which is reflected, which you have cited, does not consider the offpeak service at all where we are also making significant increases.

In fact, Mr. Chairman, the most recent data, which is between 1979–81, which is based primarily upon the section 15 data base, tends to show that that trend has already begun to reverse itself, and we are beginning to show now, in this 2-year period between 1979–81, an increase in the ridership based upon section 15. That is a different report from the census.

But, Mr. Chairman, I think your point is very well taken that we simply must, in our planning efforts, accommodate the suburban dwellers, and I think that can be harmonized as it relates to the different transportation strategies that we are beginning to mix and match, particularly in the South and the West.

ANALYSIS OF DEMOGRAPHIC TRENDS

Senator ANDREWS. Have you done any analysis of these demographic trends, and do the conclusions you reach parallel those of the Census Bureau?

Mr. TEELE. We have under contract at this time a study of that. We will be working through an interagency agreement with the Department of Commerce, so we are not using different data bases.

I think one of the problems is that our initial study, which we have provided for the committee, was that we were using different data bases, and one of the decisions that we have made, is that we perhaps should use an interagency agreement. Therefore, we are having the Department of Commerce analyzing their data from a transit perspective so that we at least will be using the same data base.

We have done some preliminary passbacks. Again, those studies basically indicate that the Census Bureau did not study the offpeak service as it relates to other than the peak demand, as well as that there has been a shift in that over the period between 1979–81. So our own conclusion is that we would choose to distinguish the census report in that regard.

However, I think in a view that would perhaps provide the most harmony, we should work with the Department of Commerce through an interagency agreement to have them evaluate their own data from a transit perspective.

INTERACTION WITH CENSUS BUREAU

Senator ANDREWS. This raw census data is almost like computer work. If you do not have the right program, if you do not have the right people programing it, you get involved in that old rule, garbage in, garbage out.

What you told me concerns me a good deal because the census is spending huge sums of money each year to bring in raw data, and you're telling me in essence they have not programed their conclusions from this data to give you the results that you need in your specialized and very important field. Are they receptive to this? Are you beginning to contact them on this? It is ridiculous, you know, for you to have to go out and do a survey in competition with the Census Bureau, and it is ridiculous for the Census Bureau not to look to you for the expertise in finding the best way of analyzing the data they pick up.

How much interaction is there? I served for 15 years on the subcommittee that funded the census and we went in and out and up and down and sideways and they always told us about what wonderful relations they had with all the other agencies of Government, how responsive they were, and now all of a sudden it looks like there is not that much interaction. There probably hasn't been all along. That is nothing new.

Mr. TEELE. That is probably two or three questions.

First of all, the Census Bureau is extremely cooperative and receptive to our discussions with them, and they have been most cooperative in providing our data.

But the real question that I think I have outlined today, or the real issue that this touches upon is whether or not the census data that has been collected is accurate for our purposes or is helpful for our purposes. In candor, I do not think the Department of Commerce and the Census Bureau should be held accountable for our omissions in insuring that the data is satisfactory.

I cannot tell you what we did in 1970 in setting this data up or before this administration took office, but I can assure you of this, Mr. Chairman, there are some very clear and necessary data elements that are not being considered by the Census Bureau, such as the offpeak periods of travel which are very important in the South and in the West, and are also becoming more and more important in urbanized areas. This data is not being used, and therefore, as it relates to using that data in terms of total transit ridership, it may be misleading in that regard.

Now, as I have indicated, we have undertaken a number of extensive studies that will analyze the statistical and demographic data of census. I am not satisfied, Mr. Chairman, that we are doing the right thing in studying this data because what we have gotten back in our preliminary analysis are distinctions or exceptions from the census data. I think a more prudent course of action for the agency at this time is to work with the Census Bureau through an interagency or cooperative agreement and to ask them to analyze their data needs and then to undertake other studies to see what would be necessary to fill in the gaps.

Mr. Chairman, I would like to make just one point. A city like Birmingham, Ala., which is very typical of our southern cities, has had a problem in meeting its resources to operate the transit system—that will touch upon many of the issues that we will be getting into in operating assistance—and has undertaken an extensive program to encourage offpeak ridership in cooperation with the downtown merchants. But this offpeak ridership data, and even though they actually have, at this point in time, significant increases in their offpeak ridership, is not being considered when we talk in terms of strict Census Bureau data. And again, I am not laying the blame or the concern, my concern, in the Census Bureau's lap, but more in terms of our own ability to work with them and anticipate these needs.

This is a once every 10 year phenomenon, and I dare say the UMTA Administrator in 1991, if we do not take these corrective actions, will be confronted with the same dilemma.

Senator ANDREWS. So you are going to take the corrective actions and leave a time capsule around to remind anyone who happens to be there into 1988 to start planning in the right direction?

Mr. TEELE. We'll leave a time capsule.

FISCAL YEAR 1984 BUDGET PROPOSAL

Senator ANDREWS. The most compelling issue in this year's budget is the reduction. Formula grant budget authority is $800 million less than Congress authorized, and within that, operating assistance is held to $275 million, a cut of $600 million.

Furthermore, discretionary grants are proposed to be held at $1.1 billion, a level of $150 million below the Surface Transportation Assistance Act.

This direction of your budget troubles the committee since the user fee supporting the program is now being collected but not spent by the administration. In expressing his support for the mass transit capital fund, former Secretary Lewis said—and I am quoting him—"We are reaching the point where we can no longer defer meeting any of these mass transit needs."

He estimated, as I recall, that those needs amounted to $50 billion over the next 10 years, exclusive of new starts. Now, how do you justify then this retrenchment in the transit program?

Mr. TEELE. Mr. Chairman, we will continue to adopt——

Senator ANDREWS. Or has the shadow of Drew Lewis totally departed?

Mr. TEELE. We will continue to adopt the statement of previous Secretary Lewis in terms of those estimates and needs. But rather than simply comparing the bottom line of the urban mass transportation program, which would include the research and development administrative costs and operating costs, it is perhaps clearer if we separate the capital program from the rest of the budget figures since those were the figures that Secretary Lewis was quoting in terms of bus and rail capital needs.

In fiscal years 1983–84. the UMTA capital programs would have increased by 47 percent and 44 percent respectively over the fiscal year 1982 base year. And let me just repeat that. If we look at the fiscal year 1983 capital program and the request for the fiscal year 1984 capital program, we will be increasing that capital program by 47 percent in fiscal year 1983 and 44 percent in fiscal year 1984 under our budget requests, respectively.

Over these 2 years about $2 million more will therefore be needed for capital projects for the modernization and construction of mass transportation facilities and equipment than if we had continued or locked in on the fiscal year 1982 budget levels for the capital program only.

The major source of this increase is a shift from the operating to the capital. And therefore, this will allow UMTA to focus our resources on the capital transit needs throughout the industry and will therefore leave the decisions on operating costs at the local level.

Senator ANDREWS. As you know, in fiscal year 1982, the appropriations level had to be reduced across the board to prevent a veto.

Mr. TEELE. Our program was reduced by 7 percent on the capital side. But again, Mr. Chairman, the statement of Secretary Lewis, the previous statement of Secretary Lewis, we would again embrace and adopt. We would continue to say that there is about $50 billion in rail mod and bus need and we would continue to offer that this budget, this fiscal year 1984 budget request addressed that need.

Now, the difference is if you look at the bottom line, then you are absolutely right in terms of your previous statement. But the shift there of the variants within the area of research and development, planning and the overall operating——

OMB BUDGET ALLOWANCE

Senator ANDREWS. It has been some time since former Secretary Lewis made that statement, and now with the unemployment rate up and still holding firm at 10.3 percent, it seems strange that the administration is claiming that it is doing the utmost to alleviate this unemployment statistic while ignoring the stimulating effects of the Surface Transportation Assistance Act.

Have you been in contact? I guess the question to ask is what did you request in this category and who hooked you, the OMB, or how much did you ask the OMB for?

Ms. FORYST. If I might make a point, when the Secretary testified on the amount of funding that he hoped would go to transit in fiscal year 1984, he was relying on the information that we had provided to you last year in testimony.

I think you will find in what we call the major themes document, we indicated our expectation that in fiscal year 1983 we would be requesting $2.976 billion. When the Secretary testified that we were hopeful of adding $1 billion for transit, he was adding $1 billion on top of that number.

Now, the difference between that number and our request of this year, which is $3.915, amounts to $939 million, which is the billion that we promised. So we had not broken our promise in any respect. We have absolutely kept our promise almost to the decimal point.

Mr. TEELE. With regard to what was the agency's position and what did we appeal for fiscal year 1983, the Surface Transportation Assistance Act authorized some $779 million in contract authority. OMB did direct us to defer $229 million and plan the program at the $550 million level. We unsuccessfully appealed that reduction, but as you know, Mr. Chairman, the deferral was overturned by the jobs bill enacted by Congress.

In fiscal year 1984, OMB allowed us $1.1 million in contract authority for discretionary grants. We did appeal for the full amount of

the $1.25 billion, but the $150 million cut was not restored. OMB allowed $1.97 billion for the formula grants program.

We did appeal for an additional $180.5 million, but OMB has not changed its initial allowance.

In response to your particular question, I would simply conclude, Mr. Chairman, by saying that we do feel that the allowances that we have from OMB are more than sufficient to meet the baseline needs and, as I indicated in my opening statement, I think the important point is not so much the agency's internal machinations with the Office of Management and Budget, but more the overall need to restrain the overall domestic spending in light of the total needs of the Government and at the same time allowing for a central office such as the Office of Management and Budget to apportion among the domestic agencies, and we are very much in support of the overall budget submission or the total budget submission that is before you, the fiscal year 1984 budget submission.

USE OF GAS TAX FUNDS

Senator D'AMATO. You are going to get a star. David Stockman will give you a star for that speech, which we will send to OMB. Now that you have spoken that canned speech, we can say OMB, do not come down hard on Art Teele because he is nice.

If the chairman would bear with me for a moment, I think that Mr. Teele has done an incredibly effective job, he really has. We find that in the regional offices throughout the country the communities have told me—one transit property from another—even in the great State of Texas which I had the good fortune to visit, Houston where they are laboring to move their transit facilities, they have indicated they have had a key operative effort and a response from UMTA that they have never had before.

But Mr. Teele, notwithstanding your efforts and the training programs you are beginning to innovate, if you come before this committee and give support to the position of OMB that would absolutely emasculate the legislation, the law that Congress enacted and the President signed, it is not credible. It is not believable. I know you have to say those things.

I do not have to, you know, adhere to that line. Mr. Stockman would absolutely do away with operating assistance. He has attempted to do so. He is absolutely attempting to stop new starts. Historically we have had a split on new starts and operating assistance—40 percent modernization, 40 percent new starts, 20 percent capitalization.

Do you know why Congress voted the gas tax bill? It voted to help rebuild the Nation's highways and also set aside 20 percent for mass transit for new starts, modernization, and operating assistance. If Mr. Stockman wants to run for Congress, let him run for Congress and become a Congressman again and legislate. But you cannot undo the will of Congress in such a cavalier manner. The cutting of operating assistance for fiscal 1983 when the revenue source has been identified, is just thumbing his nose at the public, and I think it is an incredible thing.

Now, as to the $229 million deferral, the Congress had to put it back in. Can you imagine in the middle of the fiscal year deferring $229 million? Incredible.

You may say you take appeals, but you know as a practical matter the appeals do not mean a thing. They turn them down.

Do not come back here and tell us that you support what they are doing. If you support what they are doing, they would eliminate urban mass transit, eliminate it altogether. They would set up some kind of capital construction program and that would be it. And again, I do commend you for operating as efficiently and effectively as you have been, but do not defend OMB in front of this Senator. There is no way you can do that.

IMPACT OF OMB

Senator ANDREWS. Al, you put it so well. Let me point out and I think it is one of the things that I am sure frustrates Senator Bentsen, Senator D'Amato, and myself and all of our colleagues, or most of our colleagues it should.

We sit on the Appropriations Committee and other committees of the Congress and we will hold open public hearings because that is the way you protect the public's interest. You let them come in and be heard.

I have served in Congress through what, five, six Presidents, something like that, back to when Jack Kennedy was President, which was a few years ago. Lloyd, you got here before I did, but you took a little sabbatical. In all of those times we have had this Office of Management and Budget frustrating things and something about the Office of Management and Budget through administration after administration is there is no way we can get those turkeys that hide away in those dark closets and send down their edicts to you up here at the witness table to ask them why they did it.

There is no way when they cut the budget of the Department of Agriculture we can get one of them up and say do you know a steer from a heifer, do you know a shock of wheat from a blade of grass. We cannot.

There is no way that we can find out whether the people that are telling you how to run your department off in that Office of Management and Budget have any background whatsoever in transit or any other knowledge of what you are doing.

That is one of the problems. Some day I hope we correct it, but you have to defer to the OMB. We cannot fault Arthur Teele for this or whoever else is the witness before us. It is the way the system works and it frustrates us. Some day we are going to be correcting it, but those great faceless wonders that hide off in the dark corridors and send down their edicts, I wonder whether they are individuals or just machines, because they speak almost the same in one administration as in another, and they sure as heck are equally frustrating.

But, you know, we can be totally bipartisan when we complain about it during a Republican administration just as you can be, Lloyd, when it happens to be an administration of your party, but boy, there is a consistency that goes through this thing.

Let me ask one question that concerns North Dakota, because I am supposed to be upstairs at a budget meeting. They do not have proxies allowed in and I might turn into a pumpkin. But I am sure I have my very articulate and very interested colleague on the right who can take over this gavel and do very well if I get called off. You will have a delightful time.

IMPLEMENTATION OF SECTION 18 PROGRAM

I would like to ask something about the administration's section 18 program which is a small community and rural transportation. Your justification indicates that both UMTA and Federal Highway with small and urban areas will be jointly responsible for the implementation of the section 18 program. Now, we have received word from AASHTO and the North Dakota State Highway Department that an agreement was reached in February to transfer responsibility for administering section 18 from the Federal Highway Administration to UMTA. What led to the decision to run the program out of UMTA?

Mr. TEELE. Mr. Chairman, the congressional——

Senator ANDREWS. You are moving from your urban, that first letter in your acronym, to take care of the rural areas, too. We think that is great because you are darn competent, but why that decision?

Mr. TEELE. Mr. Chairman, the decision is actually based in the statute. The section 18 program is the section 18 of the Urban Mass Transportation Act. It is the nonurbanized component. In 1978 when this program was started, UMTA did not have sufficient field staff to feel that we could adequately and competently manage the program. Subsequent to actions by this committee which mandated larger field staffs which we have complied with, and in subsequent discussions with the Office of the Secretary, we have determined that we have matured and grown to the point in our field staff and responsiveness that we can effectively manage this program.

However, Mr. Chairman, this program should be read in light of the other urban mass transportation programs that we are currently administering. The section 18 nonurbanized program and the establishment of a transit system in a nonurbanized area simply must be read in concert with the section 8 planning program which provides the planning dollars for these systems in many cases at the outset.

And also, our 16(b)(2) program, which is a program which is administered by the Urban Mass Transportation Administration, provides for transportation for the elderly and handicapped. The two programs together, the 16(b)(2) program and the section 18 program, were divided initially because we felt that we could manage the 16(b)(2) program, but the section 18 program was, by delegation, transferred by us with the approval of the secretary to the Federal Highway Administration for management.

Senator ANDREWS. In other words, you are going to allow the Federal Highway Administration to manage it essentially as it has in the past.

Mr. TEELE. Essentially, at least in fiscal year 1983. That is what we would do, Senator Andrews, because of the concern the smaller States have that transfer to UMTA would seriously disrupt the program in transportation benefits it is providing to the rural residents in more rural areas of the States. They feel that it is working fine now through the Federal Highway Administration, so we would leave it with FHWA for the rest of this fiscal year.

Senator ANDREWS. Maybe I am reading into your response what I want to hear.

Mr. TEELE. The program is an UMTA program delegation, UMTA delegated the program with the approval of the Secretary to the Federal Highway Administration in the 1970's, because we did not have the sufficient manpower in the field to manage the program.

Senator ANDREWS. And now you are taking it back because——

Mr. TEELE. It is still our program. All of the regulations, all of the apportionments have to be approved by the UMTA Administrator.

Senator ANDREWS. I know that. But now you are taking the field administration back because you feel you have sufficient personnel in the field to handle it.

Mr. TEELE. Our manpower and technical abilities in the field are more than adequate and——

Senator ANDREWS. To now handle it?

Mr. TEELE. To now handle it, yes.

Senator ANDREWS. In other words, we have been too generous with you because if we had not given you these additional people you would have left it where the States wanted it.

Mr. TEELE. No, Mr. Chairman.

Senator ANDREWS. How else would I draw it?

Mr. TEELE. The more important issue is the nature of the section 18 program. The section 18 program is normally a program that has section 18, section 16(b)(2) and other Federal agency support such as the Veterans Administration, the Department of Agriculture or the Department of HHS through their section 20 social security type programs.

Essentially, to run the section 18 program you have to mix and match and bring all of the transportation programs together.

Senator ANDREWS. You are going to publish guidelines, I take it, on your method of administering the fiscal year 1984 program.

Mr. TEELE. Yes, we will.

Senator ANDREWS. How soon are they going to be published and will you include the American Association of State Highway and Transportation Officials and the concerned States in your deliberations on these guidelines?

Mr. TEELE. We will, Mr. Chairman, we very definitely will.

UMTA ADMINISTRATION OF SECTION 18

Senator ANDREWS. And the reason that you are taking back the administration of the program is because you now have more than adequate staff out in the field and the reason you left it with the Federal Highway Administration in the past is because you didn't quite have that staff.

Mr. TEELE. The missing link in that is that our 16(b)(2) program which is the elderly and handicapped transit program that is very much a part and parcel of section 18 has been managed by UMTA from its inception. And to run a section 18 program you simply must have 16(b)(2) money and other Federal agency funds as well as State and local funds there together.

In our judgment, it makes no sense to have them separate. We are responding to the concerns of many on our section 18 program where we hold the section 16(b)(2) activity in coordination with HHS and the other agencies while the departments at the same time may be holding a separate activity at a different point in time for section 18.

It just seems that we should be able to coordinate these activities under one regional administrator and have a far more effective application. And we will work in terms of your concerns with AASHTO and the other interests as well as the various State DOT's.

I guarantee you and I pledge this, if this program is allowed to proceed, we will have a much more simplified 16(b)(2) and section 18 program and we will therefore have a much more simplified nonurbanized transportation program.

Senator ANDREWS. And it will continue to be as responsive, if not more responsive, than it has been in the past to these States?

Mr. TEELE. Mr. Chairman, if we——

Senator ANDREWS. You just have to say yes.

Mr. TEELE. Yes.

Senator ANDREWS. Senator Bentsen is here with a question or two having to do with a small town down in Texas by the name of Houston. We invited him in to ask that question so he can get the answer firsthand from you.

GAS TAX FUNDS FOR MASS TRANSIT

Senator BENTSEN. Thank you very much, Mr. Chairman. I am delighted to be here and I appreciate your courtesy in allowing me to pursue this.

I would like to thank Senator D'Amato for his broad-gauged approach to the problems of not just some of the old mass transit systems but also some of the new concerns and having come to Houston to express his concern and interest in those concerns.

Mr. Teele, I read your testimony here. Let me review for you how this tax bill passed that provided the funds for mass transit.

I am a member of the Finance Committee. I had long repeated negotiations with Secretary Drew Lewis. Repeated ones concerning new starts. Talked to him specifically time and time again about Houston.

Finally he told me that he met with David Stockman and that David Stockman had opposed new starts but he said, "Senator, I convinced him that you had convinced me we would have no tax bill unless this administration changed its position on new starts, and that meant David Stockman." And he said, "David Stockman has agreed to change his position and support new starts."

I said, "Mr. Secretary, do you have his word on that?" and he said, "I do."

I said, "With that understanding I will support this tax bill and so will a number of other Senators who are deeply concerned over this issue."

That was the flat commitment. Then, that commitment was repeated by Secretary Lewis, repeated in front of the Finance Committee. Statements were made on the floor of the U.S. Senate.

Then, when Secretary Dole appeared before our Committee on Environment and Public Works of which I am also a member, I specifically brought that question up again. I asked, "I want to be assured by the secretary-designate that there has not been a change in positions since the law was passed, and that the administration and the secretary-designate is supportive of cost-effective new starts for mass transit."

Mrs. Dole said, "I will give you that assurance, Senator Bentsen. That very definitely is the situation."

And then she speaks of Houston. "The need is recognized, it is a priority consideration, and new starts are included."

Then I read this testimony. And in spite of all the protestation to the contrary, the way I read it is that this administration is pulling the plug on its commitment to new starts, new transit starts. And they do it by priorities. It doesn't make any difference how many times you say you're for new starts, if you say the priorities are such that there is no money left when you get down to that priority, you have effectively pulled the plug on new starts.

One of the statements made earlier by one of the witnesses was that we will carry out that agreement to the last decimal point, and that is what I expect out of this administration and that is what I expect out of Mr. Stockman. And I do not want one of these situations where we say, "Oh. we are all for it, but we just do not seem to have any money left when we get down to yours." The people of Houston, Tex.. are paying their part of that increase of 5 cents and the part that goes to mass transit. I have ridden the subways of New York City and I know they need help. But I have also been on the freeways of Houston, Tex., one of the mass parking lots in the country. I finally saw them begin to move at a rate of 14 miles an hour and breathe the fumes of the cars ahead of me.

We want the commitment that was made to be lived up to, and that new starts and growth cities remain an equivalent priority and receive a fair share of the distribution of those new taxes collected, paid by those people, with the understanding when they paid it, that a fair ratio of it would be coming back to them. And that is why I am here this morning, Mr. Teele. And I want you to send the word to Mr. Stockman that

I expect that commitment to be lived up to. Would you care to comment?

Senator D'AMATO [presiding]. And you thought I was tough.

NEW STARTS

Mr. TEELE. You know, Senator, I know that my better instinct is that I should say no comment, but I want to tell you that I too stood before you and testified before you regarding the gas tax and I fully appreciate the tone, the tenor, and the statements that you are making. And I too share your view that this administration, and indeed government in general, whether it be city, State, or county government or the Federal Government, simply must live by its commitments.

Indeed, any commitment that has been made by a public official in public office under color of law is one which its successors should accept and recognize and I am very grateful that Secretary Dole has lived up to this very high and very real standard that we all as public officials must live up to.

I want to assure you that I, as the Federal Urban Mass Transportation Administrator, intend to live up to each and every commitment that we have made and that I have made, and that is the point at which I am prepared to draw the line at any given time as it relates to my own sense of honesty and integrity and self-worth. I understand your statement and I hope that you understand mine.

Senator BENTSEN. Mr. Teele, I believe you, and I think you mean that. But I do not want games played with me by OMB's setting up of priorities that, when you get all through with those priorities, it means you have negated new starts. That is not right, it is not fair, that is not the agreement that was arrived at. And that tax bill would not have passed unless that agreement had been made.

Mr. TEELE. We have clarification.

CATEGORIES OF FUNDING

Senator D'AMATO. I am wondering if my colleague, the Senator from Texas, would allow me to pursue that area, new starts.

Mr. Teele, historically there has been an allocation of UMTA funding, if I am correct, that would allocate 40 percent for rail modernization, 40 percent for new starts, and 20 percent for bus capital: is that not true?

Mr. TEELE. In the context that those have been the categories and approximate percentages that have come down and congressional earmarks from the Congress, I believe that is correct.

Senator D'AMATO. Is it your intent to continue that formula allocation of this approximately $1.25 billion that has been authorized for fiscal year 1984? Obviously, what the appropriated level may or may not be, would not affect the percentage of formula allocation.

Are we going to continue to allocate those funds utilizing the historical formula?

Now, New York is not a new start area, but equity and fairness mandates that that particular formula, historical formula, be carried out. As

strongly as I would oppose cutting of operating assistance, I will support a commitment, a promise, and a legislative understanding concerning the utilization of these funds that have been authorized.

So the question is, What about the distribution of those funds for 1983–84? Are we going to move as we have in the past? This comes under your jurisdiction. This is not David Stockman. I do not care whether he sends you a letter.

By the way, has he sent you a letter asking you not to allocate funds or utilize funds for new starts?

Mr. TEELE. I am aware that there is a memo that does instruct us not to allocate new starts.

Senator BENTSEN. You have a memo. I am sorry, Senator.

Senator D'AMATO. Well, that was the rumor. That is correct. I tried to further the line of questioning of my distinguished colleague from Texas.

COST-EFFECTIVE NEW STARTS

Mr. TEELE. If I may expand, I am also aware that there is a memo that basically says that we will only consider new starts on a case-by-case basis, and that in any case, in all cases it must be a cost-effective——

Senator D'AMATO. That's the word, cost-effective. You have been to Houston, have you not?

Mr. TEELE. Yes, I have, Mr. Chairman.

Senator D'AMATO. Have you seen what the Senator was talking about? The hundreds of thousands of people who make the LIE look like an expressway, the LIE which heretofore has been called the world's greatest parking lot. Well, when they do things in Texas they do them in a bigger way, I have to admit that you are now No. 1. Houston has labored mightily, prodigiously, with their minibus operation, the lanes, the park-and-ride. The transit people are just fabulous, but there is just so much they can do.

And if there is ever a rail system which is very necessary—and by the way, they have dedicated I think 1 penny of their taxes, 1 cent on the sales tax which is raising over $150, $160 million annually, so a very substantial commitment to mass transit has been made on a local level—would that not be a cost-effective system?

I am not an expert, but let me tell you, you do not have to have degrees in engineering and planning to take a look—looking at what they have established, where they are planning to go—and agree that this is an area where we should move forward. I do not mean to denigrate any State, any area, but if we went ahead and we built such a system in Florida which would not carry 30 percent of the people that will be carried in Houston, It would not demonstrate equity or fairness.

Mr. TEELE. Let me perhaps start out with the bottom line and work our way back up. I think that will give Senator Bentsen and the committee a lot more satisfaction.

Senator D'AMATO. If you would answer my question.

Mr. TEELE. That is the bottom line.

Senator D'AMATO. Let us get to the bottom line, what about usage?

Mr. TEELE. Taking into account all of the factors that we have considered, which not only includes the cost effectiveness of the system, but also the degree of local fiscal effort, local support, and taking into account other factors including the results of alternative analysis, the length of time the system has been in the queue, the willingness to have minority and women participation in the program—we have in fact engaged internally in a ranking, of sorts, of projects. Of course, these rankings are very subjective and they are based primarily upon the collective years of experience and training of the career staff of the agency.

And while I fully adopt and support and embrace these relative rankings, I would clearly intercede for the benefit of the committee, that this really reflects a nonpolicy, a nonadministration perspective. But simply based upon the criteria that I have previously outlined, and that's essentially cost effectiveness and the results of alternative analysis, and also the degree of local fiscal efforts, which is a very important policy perspective from this administration.

In looking at all of these things, and taking into account the other matters that I have basically touched upon, we do determine that in a relative order of merit as it relates to all of the projects that are in alternative analysis or that have undergone alternative analysis, to be more correct, that yes, Mr. Chairman, Houston is at the top of the queue, and leads the list in that ranking and order.

Senator BENTSEN. At the top of the bottom, though, as I understood it.

HISTORICAL USE OF DISCRETIONARY FUNDS

Mr. TEELE. Well, that goes to the other broader question which you have continued to focus on and which I'm very comfortable discussing with you. The top of the bottom I assume means that after rail modernization and after bus, because yes, it is this Administration's strong view that the primary efforts of the agency should be——

Senator D'AMATO. No, wait a minute. Wait a second. Hold on. Historically we have had utilization of these funds on the basis of 40 percent rail modernization, 40 percent new starts, and 20 percent bus capital; is that correct?

Mr. TEELE. Slightly less in new starts, but essentially, the numbers that we are looking at for this year are $500 million for bus, $840 million for rail mod, and about $200 million for new starts. The $500 million for bus also includes tier 4, section 5. This is just discretionary now; $500 million for bus, $840 million for rail modernization, and $206 million for new starts.

Senator D'AMATO. Somewhere somebody likes buses and does not like new starts. Rail modernization has gone up.

Mr. TEELE. Mr. Chairman, excuse me, this is the Appropriation Committee's instructions to us. This is the congressional House and Senate conference committee's marks coming back to us in these categories.

And that was the point I was making in response to Senator Bentsen's query, is that these marks are not——

Senator D'AMATO. The question is, What are you going to do in 1984 when these moneys come from gas taxes? They will be coming from gas taxes and are discretionary. What will be the situation in 1984?

Mr. TEELE. That is what we are here to try and consider with the Congress and with the Appropriations Committee, your instructions.

Senator D'AMATO. My instructions are that you should adhere to a basic formula of about 40 percent rail modernization, 40 percent new starts, and 20 percent bus capital. If not, we are going to have these buses running out of our ears. There are some very interesting studies with respect to utilization of buses and their cost effectiveness.

I think that is one of our great problems. We are using many old systems. But in addition, there are Houston and Los Angeles which need new systems. I do not think we should have areas cutting their throats to compete for these dollars by making them so scarce. Then the source of funding that they have dedicated locally becomes inadequate, and we are forced to stretch out programs.

They are ready to go. There are other areas that may be ready to go. And I think that in fairness to take the formula, a 40–40–20 split, would be fair, would meet the needs of new starts, and would continue a modernization program. You know what it does not do, it does not do what Mr. Stockman loves to do, and that is pit the interest of one section against another, or small cities against old cities, or the North against the East or the West—a favorite OMB tactic.

He came before this committee not too long ago, and he said, "Senator, talking about operating assistance. I do not think that Sioux Falls should subsidize the transit operations in New York."

OPERATING ASSISTANCE IN SMALL CITIES

Well, I did a little bit of homework which I will share with you, Mr. Teele, and with my colleague from Texas. The fact is that Sioux Falls transportation people, in response to a survey from the American transportation people, said that if the proposed reduction of 80 percent, a reduction of and eventually the elimination of operating assistance, said Sioux Falls would be devastated and would have to close down their public transportation system. This OMB proposal—a 74-percent reduction in present operating assistance and the total elimination of funds in 1985—would mean they would have to close any public transit service they now offer.

Now, I am tired of this kind of attitude because it permeates. It finds its way into the press: why should the small cities in Western States be supporting the large cities, et cetera.

New York, on the other hand, would have to increase its transit fares by about 12 percent, and you take—although Senator Andrews left, I think he would find it interesting—the fiscal year 1984 budget request, it would mean a 74-percent reduction in Fargo, N. Dak., 31 percent of its operating budget comes from Federal funds, leaving Fargo in deep trouble.

As this Senator has attempted to say—it is the small cities, the small operating properties which would be devastated—I am tired of having us play one region against another.

And now we have a new game. Do we continue rail modernization and then pit New York against new start cities? I am one Senator who is not going to oppose new starts because of some parochial advantage or because it would leave more money in the pot. I assure my colleague from Texas of that commitment.

Senator BENTSEN. I want to say I appreciate the chairman's comments and the comments about Houston and talking about our problem.

Mr. Teele, if I may just for a moment, Mr. Chairman, Mr. Teele, I think it would be helpful to all of us to understand the true feelings of Mr. Stockman and have a copy of that memorandum as to what he feels the priorities are. Can you provide us with that?

Mr. TEELE. Senator, I do not have a copy of the memorandum. I did indicate that I may have been shown a copy of the memorandum. I think Mr. Stockman's view on this matter greatly parallels the Department view on this matter, which is evidenced in my testimony.

Senator BENTSEN. Mr. Teele, I had an absolute commitment made to me by Secretary Lewis, and was assured that the same commitment was made by Mr. Stockman, and I think having a copy of that memorandum would let us fully understand whether or not the plug is being pulled on new starts.

Mr. TEELE. Let me assure you, Senator Bentsen, that we are not pulling the plug on new starts.

Senator BENTSEN. You're pulling the plug on new starts if you set up priorities that when you finally get down to the top of the bottom there is no money left.

Mr. TEELE. Well, you see, Senator, one of my dilemma's at this point is I am being put very quickly in a box because I have not been able to develop the testimony, I have only been able to respond to your specific queries. If we would just allow me for a moment to——

Senator BENTSEN. Would you let us have the memorandum.

Mr. TEELE. I do not have it.

Senator BENTSEN. Will you get it.

FUNDING COMMITMENTS

Mr. TEELE. I will request it.

Let me say this, $183 million off the top of the $1.1 billion is going to go to new starts. The notion that I am trying to react to, is that no money is going for new starts. If we develop the use of $1.1 billion, what you would determine is not based upon this administration, not based upon Dave Stockman, not based upon Drew Lewis or Secretary Dole.

The fact is that just walking in the door where there is me or anyone else, they are going to be looking at $400 million—they are going to be looking at some $400 million of outstanding commitments. After those commitments—it leaves you only $638 million to be able to address the basic needs. That is the very point I wanted to get to, the fact that if

you assume $1.1 billion are available and if you take off the letters of intent for Detroit, for Portland, and for San Francisco that this committee has directed, and if you take off the congressional direction for the $25 million for the shortfall of the Portland project and if you take off the full funding contracts for the Baltimore light rail extension, the Pittsburgh light rail construction, which comes to $75 million more, and if you address the letters of commitment that have been issued for Boston, for Detroit, for Denver, for Tampa, and for Pennsylvania and if you carry out what Congress has mandated in the Surface Transportation Assistance Act of 1982, with respect to the section 8 planning program which is distributed all across the country, the $28 million which addresses the very real needs of the elderly and handicapped populations which also must come off the top and is distributed by the States, then you have $88 million less because of that subtitle. A grand total of $638 million is left after all these deductions.

That is completely available and that is the very essence of where we should begin the discussion as it relates to rail modernization, bus, and new starts. And of course, if you take the statement by the American Public Transit Association which was made in the context of the previous deferral of the $229 million of this year's gas tax money that there is some $3 billion of bus and rail modernization projects that absolutely need to be done right now, that are sitting there ready to go—we happen to believe the figure is more like $2.3 billion, but somewhere between $2 billion and $3 billion—is a legitimate backlog of demand of rail modernization and bus projects, and if you apply that to the $638 million you can see where we are going.

Now, on the other hand, Senator D'Amato has raised the question as you have raised regarding the historical distribution of funds. Our calculations are that it is about 33 percent bus, about 53 percent rail modernization, and about 14 percent new starts, just for last year, as it relates to last year.

Then, of course, I am prepared to discuss with you more fully the question of Houston. And as I have said previously, if we rate all of the projects and Houston is not the only one. We also have the project in Los Angeles. We also have a project in San Jose. We also have the project in Detroit. We also have the project in Atlanta. How would these projects relatively shake out?

Senator D'AMATO. Detroit? My God, I think a man from that city sent me a letter and he said he did not want any operating assistance. He was opposed to operating assistance, remember that?

COST EFFECTIVENESS OF NEW STARTS

Mr. TEELE. Yes, sir. And so from the perspective of Houston and from the perspective of new starts we are prepared to say that Houston is a cost-effective system in an order of merit above the other systems that are waiting in the queue, and we plan to attempt to be helpful to the committee and to the Senate inquiry as to how do we basically rationalize and how do we develop the priority structure.

The use of historical funding is one such methodology that we could use. We could also use where is the most acute and pinpoint demands, and where are the projects that are in the backlog. We could also use the question of where is the unemployment greatest in the country, as the Senate and Congress did in their most recent act.

I do not mean to be an obstructionist as it relates to new starts or as it relates to Houston in particular. In fact, I have not only been to Houston, I have been caught up in the traffic jams, and if there were a project that I can clearly say from my own experience, based upon the relative merits in terms of the magnitude of congestion and urban congestion, it would certainly be Houston.

I am very pleased to note that the professional staff, not using my own subjective opinion, has developed this independent of my direction or my guidance.

Senator BENTSEN. Mr. Chairman, I have to get back to my other committee. I appreciate very much your allowing me to participate in this, and I have been most appreciative of your comments, and Mr. Teele, I appreciate your comments and I want you again to take the message back that I expect Mr. Stockman to live up to his commitment.

Senator D'AMATO. Thank you, Senator.

Mr. Teele, this committee has a standing policy and a deep commitment with respect to all information and testimony that is given to this committee, we would be most desirous of obtaining a copy of that memorandum from Mr. Stockman to your office or that memorandum that talks about allocations of funding or levels of funding. And I would put it to you that this is a request from the chairman and from myself that that information be provided, that memo be provided to this committee.

Mr. TEELE. Yes, Mr. Chairman.

[The information follows:]

OMB NEW START POLICY

Attachment 1 is an Administration prepared press statement which reflects the position of the Administration concerning new starts. It clearly states that cost-effective new mass transit rail projects will be funded from a portion of the proceeds from the increased gas tax and underscores that these projects must compete for funding with rail rehabilitation and bus projects.

OMB's original position on new starts under discussion in the Senate hearings was only one part of the internal policy discussion to implement the STAA of 1982 and has been superseded by the policy statement on new starts released on April 19, 1983. The criteria outlined in the press release establishes a policy of funding cost effective new starts. There is consensus within the Administration that we can manage the capital program consistent with the intent of Congress and maintain adequate fiscal controls. Eligible new rail construction projects which meet cost-effecitveness and other criteria will receive a fair share of section 3 funds in fiscal year 1984.

[ATTACHMENT 1]

TRANSIT NEW RAIL STARTS POLICY

As a result of funding provisions of the 1982 Surface Transportation Assistance Act (that is, the new gas tax bill): The Administration will fund cost effective new mass transit rail projects from a portion of the proceeds from the increased gas tax. This was intended by Congress when the gas tax bill was enacted. Projects will be considered on

a case-by-case basis. Particular attention will be paid to the following factors in choosing projects to be funded: Results of alternative analysis; cost-effectiveness; and degree of local financial commitment.

DOT will be reviewing eligible applications for new start projects. Efforts will be made to fund the most cost-effecitve projects while keeping Federal funding within current long-term budgetary projections (1984–88).

New start project applications will need to compete for funding with rail rehabilitation applications and bus purchase applications. Rail and bus modernization and rehabilitation projects have always been high Administration funding priorities.

RANKING OF NEW STARTS AND POTENTIAL PROJECTS

Senator D'AMATO. Thank you.

Mr. Teele, would you also provide the Transportation Subcommittee with the criteria that UMTA will use to rank new starts and the potential projects which are under consideration. I think that this information would be important and would give us a better insight into the process—where we are headed.

Mr. TEELE. Mr. Chairman, I will be happy to provide you the staff methodology that you have requested. I would also reserve the right that the policies of the administration within the Urban Mass Transportation Administration and the Department of Transportation and the Office of Management and Budget may in fact alter those methodologies, but we will be offering them to you for your perusal and consideration.

[The information follows:]

RELATIVE MERITS OF MAJOR INVESTMENTS

Attached is the information requested on cost-effective criteria used to analyze major investment, the projects being considered, the priority listing, and the ranking methodology.

One cost-effectiveness criterion we have been using is added cost per added rider. This criterion recognizes that a major program is to help local transit operators increase transit patronage. Patronage increases are not only a measure of how well a transit project serves travel needs, but also can be viewed as evidence that a project would reduce traffic congestion and air pollution, conserve energy, and serve local development goals. We also plan to develop a second cost-effectiveness criterion that would reflect benefits to existing transit riders. Added cost per hour of travel time savings is one possibility. In our cost-effectiveness computations, the added cost figure we use is a composite of both capital and operating costs.

The first criterion used to rank the projects is the degree of local fiscal effort. This criterion is measured in terms of the anticipated non-Federal share of the project cost. Using this criterion, Houston, San Jose, and Atlanta rank high because of the significant non-Federal share, ranging from 44 to 55 percent, proposed for each of these projects. Los Angeles and Detroit ranked lower because the proposed non-Federal share is 25 percent.

The second ranking criterion is the cost effectiveness of the project. Cost effectiveness is evaluated by comparing the costs and benefits of the rail project with the costs and benefits of less expensive bus options. If cost effectiveness is measured solely in terms of added cost per added rider, only Houston selected their most cost-effective alternative. The locally preferred Los Angeles project is nevertheless considered to be a good choice in terms of cost effectiveness when the large increase in ridership, the potential for further increases in capacity, and development potential are taken into account compared. The locally preferred Detroit and San Jose projects, however, are clearly less cost effective than other alternatives. In Detroit, the rail project selected produces about the same ridership as the bus alternative but costs about $400 million more. In San Jose, the bus and rail alternatives produce about the same ridership, but

rail costs are about $60 million more. Because similar data has not been presented from Atlanta, we have not formed an opinion on the cost effectiveness of the Atlanta extensions in the same terms.

Other factors to be considered in ranking these projects are the degree of local consensus and the length of time since the initiation of preliminary engineering. In terms of local consensus, Atlanta and Houston look most favorable. Strong local sentiment for the San Jose and Los Angeles projects is less evident, while Detroit has encountered difficulty in forming a consensus. Atlanta is clearly ahead of the rest in terms of timing, since the extensions are now being constructed with local funds.

A final consideration is the availability of sufficient Federal, State, and local resources to complete a usable rail segment. The Federal share of the Los Angeles project exceeds the authorizations that are available through fiscal year 1986. Undertaking this project would involve a risk, in that completion of a usable segment would depend upon additional authorizations for the post 1986 period. The other projects, either alone or in combinations, can probably be accomplished within available authorizations.

The projects under consideration, are as follows: Four cities—Los Angeles, Houston, San Jose, and Detroit—are not engaged in preliminary engineering of rail projects. A fifth city, Atlanta, is expected to seek reimbursement for rail construction costs under its outstanding letters of no prejudice. Jacksonville will also compete for funding in the new start category but is not included in our evaluation because the automated skyway was never analyzed in the same terms as the five rail projects. Sacramento, is undertaking preliminary engineering using Interstate transfer funds and Chicago is expected to start preliminary engineering shortly using Interstate transfer funds. These two projects are therefore not compared against the group of five which will require section 3 funds.

Taking the above factors into account, with particular emphasis on local fiscal effort and cost-effectiveness, we rank the projects in the following order: Houston, Atlanta, Los Angeles, San Jose, and Detroit.

NEW RAIL EXTENSIONS

Senator D'AMATO. We have an emerging class of cities which I would label as the post new start cities, cities such as Buffalo, San Francisco, Baltimore, Atlanta, and Miami. These are cities that appear to be in a catch-22 situation when it comes to consideration for discretionary funding for their system, extensions or rail modernization conversation-type work, to correct major deficiencies.

For example, I know that Buffalo has been interested in building a turnout off of their light rail system, and it would seem to me that timely construction of extensions as well as rehabilitation projects to improve safety and operations are legitimate requests from these cities for some of that gas tax money. What is your thinking on this issue?

Mr. TEELE. Well, on the question of extensions as opposed to modernization, we would indicate that they should go through the same alternative analysis and queuing methodology that any other new start would go through as it would relate solely to the extension.

As it would relate to the rail modernization issue, I think the Surface Transportation Assistance Act of 1982 has addressed their concern by shifting away from the rail modernization category and allowing for the computation of data that is based upon the number of route miles which will basically put cities like Atlanta and Buffalo into the pot and in for consideration along with cities like New York, Boston, and Cleveland.

As it relates to the third area that you mentioned, which was specific enhancements and improvements, as in Buffalo with the Tonawanda turnout or in BART with the spur, we would simply maintain that these projects must compete with bus and other new start cities for resources. And again, the number of discretionary dollars that will be before us for consideration is less than $700 million as compared to previous years wherein it is been almost $2 billion.

Particularly as it relates to Buffalo and your own interest, that you made very clear, in this project we are in the process now of considering the public hearing that was recently held regarding the Tonawanda turnout and will be making a grant award in that scenario within this fiscal year.

Senator D'AMATO. Is there a way in which we can expedite that?

Mr. TEELE. I will correct that. We will be making the grant pursuant to the congressional directive on the LaSalle Street station this year and the Tonawanda turnout. We are awaiting the results of the public hearing and the public discussion as it relates to the transportation improvement plan requirements.

BUFFALO EXTRAORDINARY COSTS

Senator D'AMATO. Since we are discussing Buffalo, let me ask you if the remainder of the extraordinary costs due to inflation and all costs related to that can be expedited as quickly as possible?

Mr. TEELE. Yes, sir.

[The information follows:]

BUFFALO EXTRAORDINARY COSTS

UMTA has agreed to participate in financing extraordinary costs due to inflation as provided for in the full funding contract. Using figures based on the Cleveland BCI, Buffalo estimates extraordinary costs due to inflation to be $21,165,000. UMTA agreed to the sum. The Federal share of the agreed upon amount is $16,932,000. UMTA awarded $10,000,000 in fiscal year 1982. This leaves $6,932,000 in eligible inflation costs to be funded.

SECTION 8 PLANNING FUNDS

Senator D'AMATO. I would like to ask you some questions dealing with section 8 planning funds during the current fiscal year. I have found, as I have traveled around this Nation and talked to the transit property leaders, the small cities, the large cities, that the one thing that they have been able to get from the urban mass transit people and yourself is responses. They do not always agree with them—but they get direction and suggestions as to how they can improve their applications. I think that you are to be commended for that.

Notwithstanding the difference in philosophy that may exist between OMB and the Congress as it relates to mass transportation questions, priorities, funding levels, and congressional intent, I would be remiss if I did not commend you as UMTA Administrator.

I think you have labored in a very difficult area, under difficult circumstances, and you and your associates are to be commended for making some sense out of a difficult agency to administer. This feeling comes from people of all political persuasions throughout this country

who have indicated that you certainly have streamlined and made the Urban Mass Transportation Administration much more effective.

Now I would like to ask you about the question of planning funds. During the current fiscal year we appropriated $50 million for this program—section 8—and I have received letters from various officials concerned that their planning committees will be allocated much less than in prior years. For example, in the capital district, Albany, within my State, the transportation committee has been allocated $70,000 in planning funds as opposed to $152,000 in fiscal year 1982.

Can you address this? Can you give the committee a breakdown for section 8 funding for both fiscal years 1983 and 1984 and how does this compare with the planning funds which were allocated in previous years?

Mr. TEELE. Yes, Senator. I will be happy to provide the information for the record.

[The information follows:]

ALLOCATION OF SECTION 8 PLANNING FUNDS

Attached is a breakdown of the Section 8 allocations to each urbanized area for FY 1982 and FY 1983. Since 1978, including FY 1982 and FY 1983, the allocations were made by an administrative formula. The formula is expressed as a graphic curve which based on population. The curve allocates somewhat larger amounts per capita to the larger MPO's to recognize the greater complexity and cost of transportation planning in these larger areas. The allocations in FY 1983 are lower than in FY 1982 because the Section 8 appropriation was reduced from $54 to $50 million.

The STAA of 1983 authorized the use of Section 9A funds for capital, operating and planning purposes. In order to encourage the use of Section 9A for planning during the initial fiscal year, particularly in the smaller urbanized areas, the curve was adjusted in FY 1983 to increase the proportion allocated per capita to the larger areas and the minimim allocation reduced from $15,000 to $10,000. In FY 1984, we will return to the formula used in FY 1982 and prior years.

In FY 1982, the actual grant amount for a few urbanized areas was different from the formula allocation. A few grants were reduced because the Metropolitan Planning Organizations had large unspent balances from prior year grants and a few, such as Albany, were increased because of extraordinary needs.

In the case of Albany, the FY 1982 allocation was $79,000 and the FY 1983 allocation is $70,000. The actual FY 1982 grant was $152,000 to fund the study the development of a downtown transportation center terminal and to complete development of a short range transit development plan.

We believe this method of allocation, with adjustments in a few areas, is a fair and predictable way to allocate a discretionary resource.

ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
REGION 1	CONN.	HARTFD	74	83
		XBRISTOL	12	15
		MERIDEN	10	15
		NEW BRIT	17	20
		NOR/N.LON	19	21
		SUBTOT	132	154
	MAINE	XBANGOR	11	15
		LEW/AUB	11	15
		PORTLAND	14	16
		SUBTOT	36	46
	MASS	BOSTON	896	947
		IXXLAW/HAVER	26	29
		WORCESTER	35	39
		SPRINGFLD	73	82
		XFITC/LEOM	11	15
		PITTSFLD	10	15
		TAUNTON	10	15
		N. BEDFORD	16	18
		FALL RIVE	17	20
		LOWELL	19	21
		BROCKTON	23	25
		SUBTOT	1136	1226
	NEW HAMP	MANCHESTR	13	15
		NASHUA	11	15
		PORTSMOUT	13	15
		SUBTOT	37	45
	RHODE ISLAND	PROVIDENCE	169	190
		NEWPORT	10	15
		SUBTOT	179	205
	VERMONT	BURLINGT	11	15
		SUBTOT	11	15
REGION ONE TOTAL			1531	1691
REGION 2	CONN.	NEW HAVEN	45	51
		BRIDGEPOR	52	59
		XDANBURY	12	15
		NORWALK	14	16
		WATERBURY	19	21
		STANFORD	23	25
		SUBTOT	165	187

ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
	N.JERSEY	VINE/MILL	12	15
		ATLAN CTY	17	20
		SUBTOT	29	35
	NEW YORK	NY CITY	4839	5485
		BUFFALO	265	278
		XXROCHESTER	101	114
		ALBANY/SCH	70	79
		SYRACUSE	47	53
		XUTICA/RON	19	21
		BINGHANTN	19	21
		POUGHKEEP	17	20
		NEWBURGH	11	15
		GLENSFALS	10	15
		ELMIRA	11	15
		SUBTOT	5409	6116
	P. RICO	SAN JUAN	383	406
		SUBTOT	383	406
REGION TWO TOTAL			5986	6744
REGION 3	DELAWARE	WILMINGTO	52	59
		SUBTOT	52	59
	WASH DC	WASH DC	932	985
	MARYLAND	BALTIMORE	546	576
		XANAPOLIS	11	15
		CUMBERAN	11	15
		HAGERSTOW	11	15
		SUBTOT	579	621
	PENN	PHILA	1479	1568
		PITTSBURG	567	598
		XXSCRANTON	52	58
		ALLENTOWN	47	53
		HARRISBUR	35	39
		TRENTON	33	37
		XERIE	23	25
		READING	21	23
		LANCASTER	19	21
		YORK	16	18
		WILLIAMSP	10	15
		ST COLLEG	10	15
		SHARON	10	15
		MONESSEN	11	15
		JONHSTOWN	12	15
		ALTOONA	12	15
		SUBTOT	2357	2530

ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
	VIRGINIA	NORFOLK	159	179
		RICHMOND	70	79
		NPRT NEWS	40	45
		XROANOKE	23	25
		PETERSBUR	14	16
		LYNCHBURG	12	15
		DANVILLE	10	15
		CHARLOTTE	11	15
		SUBTOT	339	389
	WEST VA	HUNTINGTO	23	25
		CHARLESTO	19	21
		WHEELING	13	15
		PARKERSBU	11	15
		SUBTOT	66	76
REGION THREE TOTAL			4325	4660
REGION 4	ALABAMA	BIRMINGHA	101	114
		MOBILE	36	41
		XMONTGOMER	24	27
		HUNTSVILL	19	21
		TUSCALOOS	13	15
		CADEN	11	15
		FLORENCE	11	15
		DOTHAN	10	15
		DECATUR	10	15
		AUBURN-OP	10	15
		ANNISTON	11	15
		SUBTOT	256	308
	FLORIDA	MIAMI	494	520
		FT.LAUDER	265	278
		XXST.PETERS	187	210
		JACKSONVI	100	112
		ORLANDO	93	104
		TAMPA	78	88
		WEST PALM	68	77
		SARASOTA	38	43
		PENSCOLA	26	29
		MILBOURNE	26	29
		XDAYTONA B	21	23
		FT.MEYERS	17	20
		TALLAHASS	14	16
		LAKELAND	14	16
		WINTERHAV	11	15
		PANAMA CI	12	15
		OCALA	10	15

ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
	FLORIDA	NAPLES	10	15
		GAINESVIL	13	15
		FT.WALTON	12	15
		FT.PIERCE	11	15
		SUBTOT	1520	1670
	GEORGIA	ATLANTA	494	520
		XXAUGUSTA	31	35
		COLUMBUS	26	29
		XSAVANNAH	23	25
		MACOM	16	18
		WARNER-RD	10	15
		ROME	10	15
		ATHENS	11	15
		ALBANY	12	15
		SUBTOT	633	687
	KENTUCKY	LOUISVIL	156	176
		XLEXINGTON	24	27
		OWENSBORO	10	15
		SUBTOT	190	218
	MISS	JACKSON	33	37
		XBILOXI-GU	23	25
		PASCAGOUL	11	15
		HATTIESBU	10	15
		SUBTOT	77	92
	NORTH CAROLINA	CHARLOTTE	43	49
		RALIEGH	26	29
		FAYTTEVI	26	29
		XWINSTON-S	21	23
		GREENSBOR	21	23
		DURHAM	19	21
		GASONIA	14	16
		WILMINGTO	12	15
		JACKSONVI	11	15
		HIGHPOINT	13	15
		HICKORY	11	15
		GOLDSBORO	10	15
		CONCORD	11	15
		BURLINGTO	11	15
		ASHVILLE	13	15
		SUBTOT	262	310

ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
	SOUTH CAROLINA	CHARLESTO	40	45
		COLUMBIA	38	43
		GREENILL	28	31
		XSPARTANBU	13	15
		ROCK HILL	10	15
		FLORENCE	10	15
		ANDERSON	10	15
		SUBTOT	149	179
	TENN	MEMPHIS	160	180
		NASHVILLE	77	87
		CHATTANOO	36	41
		KNOXVILLE	35	39
		XKINGSPORT	12	15
		JOHNSON C	12	15
		JACKSON	10	15
		CLARKSVIL	11	15
		BRISTOL	10	15
		SUBTOT	363	422
REGION FOUR TOTAL			3450	3884
REGION 5	ILLINOIS	CHICAGO	2242	2364
		XXPEORIA	33	37
		ROCKFORD	24	27
		XJOLIET	21	23
		AURORA	19	21
		SPRINGFIE	16	18
		ELGIN	14	16
		DECATUR	14	16
		CHAMPAIGN	14	16
		ROUND LAK	11	15
		KANKAKEE	11	15
		DANVILLE	10	15
		BLOOMINGT	12	15
		ALTON	12	15
		SUBTOT	2453	2613
	INDIANA	INDIANAPO	187	210
		FT.WAYNE	29	33
		SOUTH DEN	28	31
		XEVANSVILL	23	25
		TERR HAU	11	15
		MUNCIE	12	15
		LAFAYETTE	12	15
		KOKOMO	11	15
		ELKHART	12	15
		BLOOMINGT	11	15
		ANDERSON	12	15
		SUBTOT	348	404

ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
	MICHIGAN	DETROIT	1285	1359
		XXGRAND RAP	47	53
		FLINT	42	47
		LANSING	31	35
		ANN HARBOR	26	29
		KALAMAZOO	19	21
		SAGINAH	17	20
		PORT HURO	11	15
		MUSKEGON	13	15
		JACKSON	12	15
		BENTON HA	11	15
		BAY CITY	11	15
		BATTLE CR	11	15
		SUBTOT	1536	1654
	MINN	MINEAPOL	558	588
		XDULUTH-SU	16	18
		ST.CLOUD	10	15
		ROCHESTER	11	15
		SUBTOT	595	636
	OHIO	CLEVELAND	544	574
		CINCINNAT	312	328
		XXCOLUMBUS	187	210
		DAYTON	99	111
		AKRON	77	86
		TOLEDO	68	77
		YOUNGSTOW	47	53
		CANTON	29	33
		LORAIN/EL	28	31
		XSTEUBENVI	11	15
		SPRINGFIE	12	15
		NEWARK	10	15
		MIDDLIET	12	15
		MANSFIELD	12	15
		LIMA	11	15
		HAMILTON	13	15
		SUBTOT	1472	1608
	WIS	MILWAUKEE	343	360
		XXMADISON	26	29
		XBELOIT	10	15
		AUCIAIRE	11	15
		JANESVILL	10	15
		KENOSHA	12	15
		LACROSS	11	15

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ALLOCATION OF SECTION 8

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
		OSHKOSH	10	15
		SHEBOYCAN	10	15
		WAUSAU	10	15
		RACINE	14	16
		APPLETON	17	20
		GREEN BAY	17	20
		SUBTOT	501	565
		TOTAL	6905	7480
REGION 6	ARKANSAS	LITTLE RO	36	41
		XRAYETTEVI	11	15
		FT.SMITH	12	15
		PINE BLUF	11	15
		SUBTOT	70	86
	LA	NEW ORLEA	294	308
		XXBATON ROU	43	49
		SHREVEPOR	33	37
		XLAKE CHAR	16	18
		MONROE	14	16
		LAFAYEVTT	14	16
		HOUMA	11	15
		ALEXANDRI	12	15
		SUBTOT	437	474
	NEW MEXICO	ALBUGUERO	53	60
		XLAS CRUCE	10	15
		SANTAFE	10	15
		SUBTOT	73	90
	OKLAHOMA	OKLA CITY	125	140
		TULSA	59	66
		XENID	10	15
		LAWTON	12	15
		SUBTOT	206	236
	TEXAS	DALLAS/FT	811	857
		HOUSTON	795	840
		XSAN ANTON	231	260
		EL PASO	60	68
		AUSTIN	47	53
		CORPUS CH	29	33
		XLUBBOCK	21	23

ALLOCATION OF SECTION 8

REGION	STATE	MPO		
		MCALLEN/P	19	21
		AMAILLO	19	21
		WACO	17	20
		BEAUMONT	16	18
		TEXAS CIT	14	16
		PORT ARTH	14	16
		WICHITA F	12	15
		EMPORI	10	15
		KILENE	12	15
		BROWNSVIL	12	15
		BYRAN/COL	12	15
		HARLINCEN	11	15
		GALVESTON	11	15
		ABILENE	13	15
		LAREDO	12	15
		LONGVIEW	11	15
		MIDLAND	11	15
		ODESSA	13	15
		SAN ANGEL	11	15
		SHERMAN/D	10	15
		TEMPLE	10	15
		TEXARKANA	11	15
		TYLER	11	15
		SUBTOT	2286	2501
REGION 6 TOTAL			3072	3387
REGION 7	IOWA	QUAD CITI	35	39
		DES MOINE	33	37
		XCEDAR RAPID	17	20
		WATERLOO	16	18
		SIOUX CITY	12	15
		IOWA CITY	11	15
		DUBUQUE	11	15
		SUBTOT	135	159
	KANSAS	WICHITA	38	43
		XTOPEKA	16	18
		LAWRENCE	10	15
		SUBTOT	64	76
	MISSOURI	ST. LOUIS	581	613
		KANSAS CITY	303	318
		XSPRINGFIE	17	20
		ST. JOSEPH	12	15
		JOPLIN	10	15
		COLUMBIA	11	15
		SUBTOT	934	996

Complete to fill the space from line to line
Side to side and top to bottom
INSTRUCTIONS
(Elite preferred
12 characters per inch)
DOUBLE SPACED

ALLOCATION OF SECTION 8
Completely fill the space from line to line
Side to side and top to bottom

			FY 1983 MARK	FY 1982 MARK
	NEBRASKA	OMAHA	75	84
		XLINCOLN	21	23
		SUBTOT	96	107
REGION 7 TOTAL			1229	1338
REGION 8	COLORADO	DENVER	398	418
		XCOLO SPRIN	35	39
		XPUEBLO	14	16
		GREELEY	11	15
		GRAN JUN	10	15
		FT. COLLIN	12	15
		BOULDER	12	15
		SUBTOT	492	533
	MONTANA	XBILLINGS	12	15
		GREAT FAL	11	15
		MISSOULA	10	15
		SUBTOT	33	45
	NORTH DAKOTA	XBISMARCK-	11	15
		FARGO-MOO	13	15
		GRAND FOR	10	15
		SUBTOT	34	45
	SOUTH DAKOTA	XRAPID CITY	10	15
		SIOUX FAL	12	15
		SUBTOT	22	30
	UTAH	SALT LAKE	125	140
		OGDEN	26	29
		XPROVO/ORE	21	23
		SUBTOT	172	192
	WYOMING	XCASPER	11	15
		CHEYENNE	10	15
		SUBTOT	21	30
REGION 8 TOTAL			774	875

INSTRUCTIONS
Elite type preferred
(12 characters per inch)
PROPORTIONSPACED

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ALLOCATION OF SECTION 8

Complete fill the space from line to line
Side to side and top to bottom

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
REGION 9	ARIZONA	PHOENIX	418	440
		XTUCSON	60	67
		XPIMA	10	15
		SUBTOT	488	522
	NEVADA	LAS VEGAS	56	63
		XRENO	19	21
		SUBTOT	75	84
	CALIF	LOS ANGEL	3193	3335
		SAN FRANC	1078	1140
		SAN DIEGO	528	557
		SAN JOSE	356	375
		XSACRAMENTO	169	190
		SAN BERNA	134	150
		OXNARD/TM	47	53
		FRESNO	42	47
		BAKERSFIE	28	31
		XSTOCKTON	24	27
		SANTA BAR	19	21
		MODESTO	19	21
		SANTA ROS	17	20
		SANTA CRU	16	18
		SEASIDE/N	14	16
		YUBA CITY	11	15
		VISALIA	10	15
		SIMI VALL	12	15
		SANTA MAR	10	15
		SALINAS	12	15
		REDDING	10	15
		PALM SPRI	11	15
		NAPN	11	15
		LANCASTER	10	15
		HENET	10	15
		FAIRFIELD	11	15
		CHICO	10	15
		ANTIOCH/P	12	15
		SUBTOT	5824	6196

INSTRUCTIONS
Typed preferred
(10 characters per inch)
DOUBLE SPACED

ALLOCATION OF SECTION 8

Completely fill the space from line to line
side to side and top to bottom

REGION	STATE	MPO	FY 1983 MARK	FY 1982 MARK
REGION 9	HAWAII	HONOLULU	94	106
		XKAILUA-KA	13	15
		SUBTOT	107	121
REGION 9 TOTAL			6494	6923
REGION 10	ALASKA	XANCHORAGE	21	23
		SUBTOT	21	23
	IDAHO	XBOISE	17	20
		POCATELLO	10	15
		SUBTOT	27	35
	OREGON	PORTLAND	274	287
		XEUGENE	23	25
		SALEM	17	20
		MEDFORD	10	15
		SUBTOT	324	347
	WASHINGTON	SEATTLE/E	411	433
		XXTACOMA	50	57
		SPOKANE	33	37
		XPASCO/RIC	14	16
		YAKIMA	12	15
		OLYMPIA	11	15
		LONGVIEW	10	15
		BREMERTON	11	15
		BELLINGHA	10	15
		SUBTOT	562	618
REGION 10 TOTAL			934	1023
NATIONAL TOTAL			34,700	38,005

INSTRUCTIONS
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(10 characters per inch)
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FUNDS AVAILABLE FOR FORMULA DISTRIBUTION

Mr. TEELE. There was $54 million available in fiscal year 1982 for section 8 activities, and these funds are primarily distributed on a formularized basis. In fiscal year 1983 there is $50 million available, so you can see the $4 million represents a significant statistical impact on the total overall amount of funds that are available for the formula distribution.

Second, we made an effort as a result of the Surface Transportation Assistance Act to reduce each property's section 8 allocation or planning dollar allocation by not more than 10 percent from the previous year to insure that the planning entities were not unduly held back from the section 9A activities. Now that is a very important concept for us, Senator, because what we were doing was legitimizing the right of the planning offices and planning activities to call on section 9A funds. As you know, much of the planning funds in out years, beginning in fiscal year 1984, will potentially come from the section 9 account and, therefore, in previous years, planning activities were not available from section 3.

We did describe earlier, to insure the integrity of the planning process and insure they have a call on the new section 9 funds as opposed to their previous denial or limitation on section 3 funds, we will be making them whole and we believe that the 9A allocation which the Congress has made available will more than suffice and more than supplement the 10-percent reduction in section 8 funds.

Senator D'AMATO. Do you think it would be a good idea to distribute section 8 funds in a similar plan to what we use to distribute section 9—service-related need? We can make that change in the law.

DISTRIBUTION OF PLANNING FUNDS

Mr. TEELE. I would hesitate to say that and I will tell you why: because section 9 really tracks service, and the amount of service along with the population. Section 8——

Senator D'AMATO. Let's go into this. Why should an area that has 1 million people, a region which does not do anything in the area of mass transportation, has no service-related needs or areas because of the suburban quality of its population and have not supported a rail or transit system get the same funding as another area with the same population which has a viable transit system?

Or let's use another comparison: urban center, transports many people, service-related bus, rail, trolley, et cetera, 500,000 population, and an area again that is twice as large, has virtually little, if any, transit-related services. Would you give the one that is twice as large in population, but much less in terms of numbers of passengers, which has a minimal system, twice as much money when no activity is being undertaken, when it is not justified?

Mr. TEELE. Senator, there is a strong intellectual argument that would suggest—that I happen to subscribe to personally—that would suggest that the section 8 distribution mechanism should closely track the section 9 formula distribution mechanisms, but at the risk of—to insure

that the planning perspective is presented here, I would ask my associate, Bob McManus, who is the Associate Administrator, to perhaps offer his own view and, Bob, I would particularly urge you to offer your own views notwithstanding my views on this subject.

ALBANY PLANNING FUNDS

Mr. MCMANUS. Mr. Chairman, may I say at the outset we have used the population for allocating these moneys for many years and we have had very few complaints about that.

Senator D'AMATO. If you take the Albany area and you gave them $152,000 one year and the next year you give them $70,000, they have a right to say how come. A budget reduction from 54 percent to a level 50 percent, that would not account for that.

Mr. MCMANUS. No; it would not.

Senator D'AMATO. Something has been changed. What has been changed?

Mr. MCMANUS. If I may.

Senator D'AMATO. What has been changed? Why the difference?

Mr. TEELE. I changed the formula in response to the 9A program in fiscal year 1983. The reason, Mr. Chairman, was to insure that the planning entities, the same entities that you are trying to protect, were not disenfranchised from the section 9 account. Historically, they were excluded from drawing section 3 money for planning purposes. By reducing them on the section 8 planning money it legitimizes their call within the metropolitan planning organization process for section 9 money in the out years. This is the first year, it was done only for 1 year as a transitional point to insure that they were in the section 9 process. Historically, they have not been able to get the section 3 or the equivalent of the new section 9, and that was done solely to protect the planning entities at my direction.

Senator D'AMATO. Is that going to continue?

Mr. TEELE. It will not continue. It was a 1-year activity and in fiscal year 1984 we will proceed to the previous amounts based upon the amounts of dollars that are available. Now, of course, if less than $50 million would be made available——

PLANNING CATEGORIES

Senator D'AMATO. We understand proportional allocations. You can only deal with the amount, the total amount you have. Are you funding the three historic sections in eight metropolitan planning organizations, State departments of transportation important and headquarters moneys in fiscal years 1983 and 1984? Are those the only areas you are going to be funding, or have we really done this on a population basis throughout?

Mr. MCMANUS. They are the same categories.

Mr. TEELE. Those are the same categories. We have not added any new categories, and relatively the percentages have remained the same. The metropolitan planning organizations is the big pot. And that represents about 85 percent of the total money.

Senator D'AMATO. About 85 percent.
Mr. TEELE. 85 percent.
Senator D'AMATO. So we are going to go back to that formula?
Mr. TEELE. We will go back to that formula in fiscal year 1984.
Senator D'AMATO You do not need legislation that directs that.
Mr. TEELE. No, sir, please, we'll do it.
Senator D'AMATO. Can't win them all. We will take half a loaf.

MITCHELL FIELD BUS GARAGE

Mr. Teele, when we have discussed section 3 funding buses, et cetera, in the past, and you and I have had an occasion to discuss section 3 grants for bus garages. I am thinking about one in particular as it relates to the suburban transportation problems that we do have. We have such a great dependence on automobiles because it is almost virtually impossible to develop a reliable, cost-effective transportation system in suburban communities where you have to rely on buses. On Long Island, which probably has more vehicles per person than any other area in the country, you and I have discussed that project in Mitchell Field which has been in the planning stage for a number of years now, will UMTA be making a grant for this project out of its fiscal year 1983 discretionary funds? This is a high priority area for one of the large transit areas in this country, and I think it could very conceivably play a major role in seeing to it that more people utilize the buses since they will be maintained in a clean and safe manner and will be dispatched in a much more cost effective manner?

Mr. TEELE. I am recommending to the Secretary that we advance the Mitchell Field project beginning out of fiscal year 1983 funds. As you know, it will probably take 2 to 3 years as a minimum to construct that facility and again, that would in fairness to the committee, Senator, also represent another out-year commitment at some point. But in answer to your question, I will advance and strongly support the commencement of funding of the Mitchell Field bus facility from the existing fiscal year 1983 funds.

Senator D'AMATO. Very good. I think that is important because there has been a deep commitment in land set-aside for that project. Land is valued at millions of dollars, and it is important we go forward.

OPERATING ASSISTANCE

The Surface Transportation Assistance Act, section 9, provides that localities which exceed their operating assistance ceilings for fiscal years 1983–84 may in effect trade in $3 of capital assistance and get back for each $3 traded in, $2 of operating assistance. If you recall, that was something many of us debated: giving to communities this flexibility. If they have too much in the way of capital assistance they might be able to trade. We believed that some of our smaller properties might indeed reach that position. To your knowledge, have any of the municipalities or transit properties utilized that position?

Mr. TEELE. To my knowledge, several have utilized it, and we have approximately $30 million that we are projecting for the full year. To date, it's $3.6 million.

Senator D'AMATO. That is interesting in that it demonstrates that the situation exists that we were trying to rectify. If you could provide me with those requests that have come in to date in terms of the swap, three for two, I would be appreciative. We were concerned that we would be providing an opportunity for too much capital assistance that they could not use and yet there would be a need for operating assistance.

I am pleasantly surprised that some municipalities have utilized this provision. For several years the Appropriations Committee has included language in the committee report suggesting that UMTA give equal consideration to section 3 bus applications for the eight rail cities.

[The information follows:]

We estimate that the following UZA's will use the three-for-two trade-in during fiscal year 1983:

THREE-FOR-TWO TRADE-IN

[In thousands of dollars]

UZA	Amount transferred to—	
	Operating	UMTA
Province, R.I	662	331
Worcester, Mass	150	75
Springfield, Mass	232	116
Manchester, N.H	28	14
Hartford, Conn	296	148
New Haven, Conn	239	
Bridgeport, Conn	190	
Norwalk, Conn	127	
Philadelphia-Trenton, Pa	6,204	3,102
Ft. Lauderdale, Fla	1,109	554
Jacksonville, Fla	260	130
Nashville, Tenn	215	107
Kalamazoo, Mich	40	20
Jackson, Mich	21	10
Grand Rapids, Mich	299	149
Bay City, Mich	22	11
Battle Creek, Mich	20	10
Lansing, Mich	249	124
Niles, Mich.-South Bend, Ind	12	6
Fort Wayne, Ind	140	70
Anderson, Ind	17	8
Northwestern, Ind	483	241
Decater, Ill	28	14
Springfield, Ill	38	19
Champaign-Urbana, Ill	40	20
Milwaukee, Wis	1,725	862
Green Bay, Wis	42	21
Kenosha, Wis	31	15
Oshkosh, Wis	18	9
Racine, Wis	40	20
Toledo, Ohio	478	239
Canton, Ohio	246	123
Albuquerque, N. Mex	112	56
San Antonio, Tex	1,032	516
Wichita, Kans	176	88
St. Louis, Mo	2,836	1,418

THREE-FOR-TWO TRADE-IN—Continued

[In thousands of dollars]

UZA	Amount transferred to— Operating	UMTA
Springfield, Mo	34	17
Kansas City, Mo	1,198	599
Omaha, Nebr	306	153
Salt Lake City, Utah	316	158
Ogden, Utah	90	45
Billings, Mont	22	11
Tucson, Ariz	214	107
Boise, Idaho	2	1
Portland, Oreg	1,290	645
Total	21,329	10,382

DISCRETIONARY BUS GRANTS

Senator D'AMATO. In fiscal year 1983 we changed the committee language to direct UMTA to provide equal consideration as a measure of traditional equity in UMTA's distribution of discretionary bus grants, I would point out the eight rail cities have received 26 percent of all rail funding yet they account for 56 percent of all urban bus passenger trips reported in the latest section 15 reports.

I am wondering if you would care to comment on that? What is your reaction to this, and do you think that those numbers are going to begin to change more in proportion again, to the need?

Mr. TEELE. I am pleased to inform you and the committee that we have addressed this imbalance. We have taken direct steps to insure that it will not happen and I think the eight rail cities are satisfied with the results of the change in policy.

JOBS IMPACT OF OPERATING ASSISTANCE

Senator D'AMATO. Mr. Teele, currently there are over 11 million Americans who have been out of work. It has been estimated that every $100 million of operating assistance translates to an estimated 96,000 equivalent full-time jobs. The administration's operating assistance request would have resulted in a loss of 58,000 existing jobs. I am particularly concerned with the jobs impact in areas of high unemployment such as western New York where we have large urban centers that have unemployment higher than 17 percent.

Two of the major pieces of legislation over the last several months, the gas tax bill and the jobs bill, have the major goal of putting Americans back to work. Are these operating assistance recommendations that Mr. Stockman and OMB have come up with counterproductive to this objective of putting people back to work? That is a tough one for you to answer. I will say they are and I will not put you on the spot and ask you to say yes or no.

AVAILABILITY OF 9A FUNDING

I have one more question for you, Mr. Teele. There is an interesting point in your budget submission that has transit operators as well as many others puzzled. On pages 109–110 of the budget you state that the new Surface Transportation Assistance Act does not clearly specify the period of funding availability for fiscal year 1983, 9A funds and no obligations above $550 million would be available in fiscal year 1984.

First, I assume that the disapproval of a $229 million deferral answers the issue of obligations and in excess of $550 million. Second, the act specifically provides that the carryover of 1983 funds for 3 more years, I trust that this provision of the law is now clear in that the transit operators will be spared any further uncertainty on this point.

A question with respect to the 3-year carryover: for example, if someone was entitled to funding in year 1, did not use all of the funds, let's say, $50 million, that they would be allowed to carry that over to year 2, and thereafter year 3 and utilize it. Is that cleared up?

Mr. TEELE. It is cleared up, and it is our opinion, the opinion of counsel that they can carry that over.

Senator D'AMATO. Good, because there were a number of transit properties who were concerned in that regard.

SUBMITTED QUESTIONS

I have a number of questions from Senator Chiles and Senator Kasten. There are additional questions for the record that I would also submit.

I thank you for your testimony and your candor and I hope we will be able to move to resolve those areas where there are some outstanding questions. We will submit questions for the record. The record will also contain a letter from Senator Grassley.

I would leave you with the thought that Chairman Andrews feels quite strongly with respect to that memo and I think we could avoid a lot of problems by getting that memo to this committee as quickly as possible.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

DECREASED TRANSIT USE DURING THE 1970's

Senator Andrews: The Census Bureau recently released the results of a study of transit ridership for workers during the 1970's. The results show a decline in transit use from 9 percent of the work force in 1970 to 6 percent, despite an increase in the Nation's work force. The percentage of transit users is now roughly the same as the number of commuters who walk to work. What does this indicate about our transit system?

Response: We have been conducting analyses of this question with data from a variety of sources and we have found that transit ridership on the whole increased from 1970 to 1980.

The 1969 and 1977 National Personal Transportation Studies, based on surveys carried out for the Department by the U.S. Bureau of the Census, indicate that work trips on transit declined from 2.8 to 1.9 billion or 33.7 percent. However, nonwork trips increased from 2.4 to 3.5 billion, or 46.5 percent. As a result, there was net increase from 5.2 to 5.4 billion or 3.8 percent from 1969 to 1977. Transit's share of total urban passenger miles (as distinguished from share of workers or trips) declined slightly from 1970 to 1980, from 3.4 to 3.3 percent.

The net change from 9 to 6 percent in workers who regularly use transit for commuting indicates transit's recovery from an even lower share of commuter usage in the middle of the decade, probably just prior to the energy crisis of 1974. The number of workers regularly commuting on transit in 1980 was up 26 percent from 1975, based on the 1975 Census survey of journeys to work.

Our more comprehensive and detailed findings are basically consistent with the Census Bureau's. However, we have more confidence in our own conclusions, which indicate the arrest of the sharp downward trend that characterized transit since World War II. While there is no denying that demographic change has affected transit usage, the Census Bureau failed to examine transit's adaptation to its changing market.

Senator Andrews: Do you agree that planners have concentrated on transit systems for urbanized areas, while the population has moved to the suburbs?

Response: In most areas I would not agree. The total mileage of bus routes increased 50 percent during the 1970's, as planners have extended service to where the population has moved. As a result, the same proportion of SMSA residents had transit service within walking distance of their homes in 1977 as in 1969. As an example of increased suburban patronage, ridership on the Long Island Railroad increased 15 percent from 1970 to 1980, a period in which patronage within New York City declined.

Senator Andrews: Has UMTA conducted any analysis of these demographic trends, and do the conclusions parallel those of the Census Bureau?

Response: We have analyzed the same basic deomographic trends as the Census Bureau and have identified the same demographic changes. Basically, there have been population shifts to "sunbelt" regions and, within regions, from central cities to suburbs.

However, we have reached different conclusions than the Census Bureau. While the Census Bureau's analysis is limited to demographic explanations with a focus on journeys to work, our analysis incorporates more issues that are specific to transit and to transit's complex role in urban transportation. The sweeping generalizations that the Census Bureau has made about transit on the basis of residential shifts are not adequately justified. For instance, we know that the quantity and type of jobs and their locations are more important than residential location in predicting transit demand.

Senator Andrews: What change in the UMTA program should or will result from these conclusions?

Response: The Census Bureau's results confirm trends that transit specialists have been observing for a considerable time. Our present policies and goals reflect our appreciation of the basic trends confirmed by the latest Census analysis.

No one is more familiar with demographic change locally and regionally than transit operators and planners. Grant applications and Transportation Improvement Plans (TIP's) make us acutely aware of transit's adaptations to local and regional demographic changes. This Administration has increased transit's ability to adapt to its environment by promoting stable capital funding from the Trust Fund, deregulation, and block grants.

MASS TRANSIT ACCOUNT PROGRAM LEVELS

Senator Andrews: We understand that the Act contains a provision which allows subsequent years' revenues into the Trust Fund to be calculated into the program level. Why did you not utilize this provision which is intended to even out program levels from year to year?

Response: If the provision to which you refer is Section 531 of the Surface Transportation Assistance Act of 1982, we do not believe it to be relevant in this case. This section permits the Secretary to withhold apportionment of contract authority when advised by Treasury that the unfunded contract authority at the end of the next fiscal year will exceed anticipated receipts for the 12 months beyond that date. It also provides for subsequent release of delayed apportionments when the proper balance is restored. While we considered it prudent to match our obligation plans for the Mass Transit Account to anticipated receipts, and proposed obligation limitations to achieve that match, the limitations were not in any way claimed to result from the invocation of Section 531.

APPROPRIATIONS LESS THAN AUTHORIZATION

Senator Andrews: In fiscal years 1985 and 1986, the reductions from the authorized levels are even more compelling -- $1.2 billion

and $1.3 billion respectively. Will the Administration propose to rescind the contract authority authorized last year, given these intended reductions:

Response: In our long range estimates which were provided to the Congress, we are proposing obligation levels of $1.1 billion under the Mass Transit Account in both of the fiscal years 1985 and 1986. These levels are exactly the same as the trust funded contract authorizations contained in the recently enacted Surface Transportation Assistance Act of 1982. The Administration does not currently plan to propose rescission of any of the contract authority made available under the Mass Transit Account.

Our long range estimates for the general funded portion of the UMTA program in fiscal years 1985 and 1986 are below the levels in the Surface Transportation Assistance Act of 1982. Our proposal maintains a strong capital program, but does not provide operating assistance. In addition, we propose to maintain current funding levels for the Research, Training, and Administration program. Almost all of the reductions are in the area of operating assistance.

EFFECTS OF PHASE-OUT

Senator Andrews: We have heard repeatedly from the Administration that operating assistance should be eliminated. Congress has repeatedly rejected that approach. We hear from small to medium size and rural communities every day about the effect operating assistance reductions and elimination will have on them. Your proposal to eliminate operating assistance will be disastrous in the view of the transit operators nationwide. Furthermore, many feel that transit operators will be disinclined to make crucial capital investments, which UMTA does support, if some form of operating assistance is not available. How can the Administration continue this philosophical debate at the risk of eliminating and reducing transit systems that support jobs and, in some cases, community survival?

Response: We believe that transit systems of all sizes can cope with a phase-out of Federal operating subsidies for transit without major disruption. Recent research indicates that transit operators of all sizes believe that they can cope with the phase-out of Federal operating assistance. For example, the University of California asked transit systems of all sizes how they planned to replace Federal operating subsidies. Results were not drastic even for small cities. (See bar chart for summary of results.) For example, cities with a population under 100,000 planned to replace 63 percent of lost Federal assistance by increased state and local aid, 14 percent by increased fares, 12 percent by decreased service, and 11 percent by efficiency and productivity gains.

In regard to your point about the willingnees of transit systems to make capital investments without some form of Federal operating assistance. Transit operators were eager to receive UMTA capital grants before the existence of Federal operating assistance. This is also likely to be the case if

Federal operating assistance were eliminated. One recent study indicates that if Federal operating assistance were phased out, the demand for capital grants would be reduced slightly in the short run. At current matching ratios, however, the more likely problem beyond the short term is too much demand for UMTA capital assistance.

In addition to our belief that transit systems can cope with the phase-out of Federal operating assistance, other major reasons for continuing to propose the phase-out are:

. a need to restrain Federal spending as part of an overall strategy for economic recovery,

. a belief that transit operating subsidies are not a proper role for the Federal government, but rather for State and local governments, and

. research that links Federal operating subsidies for transit to declining transit productivity and efficiency, declining fare levels in real terms, and rising costs per vehicle mile and vehicle hour of service in excess of inflation.

Concerning the last point, a number of studies have documented the negative effects of operating subsidies for transit. Most of the following studies deal specifically with Federal operating subsidies for transit. A list of studies follows:

Bly, P.H., F.V. Webster and Susan Pounds, "Effects of Subsidies on Urban Public Transport," Transportation, 9 1980, pp. 311-331.

Cervero, Robert, "Cost and Performance Impacts of Transit Subsidy Programs," presented at meetings of the Transportation Research Board (Berkeley, CA: Department of City and Regional Planning, University of California, August 1982).

Congressional Budget Office, Urban Mass Transportation: Options for Federal Assistance, Washington, DC: US Congress, February 1977.

Douglass Lee, Evaluation of Federal Operating Subsidies to Transit, March 1983.

Pickrell, Don H., "The Causes of Rising Operating Deficits in Urban Transit," Cambridge, MA: Department of City and Regional Planning, Kennedy School of Government, Harvard University, August 1982.

John Pucher, "Effects of Subsidies on Transit Costs" Transportation Quarterly, (October 1982), pp. 549-562.

John Pucher, Redesigning Federal Transit Subsidies to Control Costs and to Increase the Effectiveness of the Transit Program, Final Report to UMTA (New Brunswick, NJ: Department of Urban Planning, Rutgers University, December 1982).

Pucher, John, "A Decade of Change for Mass Transit," Transportation Research Record 858 (1982), pp. 48-57.

Urban Mass Transportation Administration, Feasibility of Federal Assistance for Urban Mass Transportation Operating Costs, Washington, DC: UMTA November 1971.

UMTA, "Operating Assistance for Transit: An Evaluation of the Section 5 Program," Washington, DC: UMTA, December 1979.

A number of other studies have examined the effects of phasing out Federal operating subsidies for transit. Assumptions and purposes of these studies vary widely, but the majority of these studies support the idea that most transit systems could cope with the phase-out of Federal operating subsidies for transit. A list of studies follows:

Cervero, Robert, A Comparison of Recent Studies on the Impacts of the Proposed Federal phase-out of Transit Operating Assistance, Unpublished paper.

Regional Plan Association, The Effects of Eliminating Federal Operating Assistance. New York: Unpublished report, 1981.

Wang, George: Ward, Donald; and Hassler, Frank. Possible Effects of Fare Increases on New York City Transit Ridership and Revenues. Cambridge: Transportation Systems Center. Unpublished paper, May 1981.

American Public Transit Association, The Impact of Cutbacks in Federal Operating Assistance, A Summary of an APTA Survey, Washington, DC, 1981.

American Public Transit Association, Recent Findings on the Impact of Reduced Federal Assistance to Public Transit, Washington, DC, 1982.

Cervero, Robert, Intergovernmental Responsibilities for Financing Public Transit Services, Washington, DC.: Urban Mass Transportation Administration, 1981.

Doxsey, Lawrence B., "Simulated Impacts of Eliminating Federal Operating Assistance for Transit," Cambridge, Massachusetts: Transportation Systems Center, Unpublished paper.

Rossetti, Michael Demand for Capital Assistance: Impact from a Section 5 Phase-out, Unpublished Paper.

OPERATING ASSISTANCE: AUTHORIZATION vs. APPROPRIATIONS

Senator Andrews: Your budget proposes appropriations language to achieve the operating subsidy cap reflected in the budget. You are in effect asking the Appropriations Committees to overturn the decision last year by Congress in the STA Act on operating subsidies. This would be, to say the least, difficult and unpopular, as well as in violation of the rules of the Senate and the House. Why did you not work out an acceptable compromise on operating subsidies with the authorizing committees?

Response: We announced in 1981 that we intended to phase out operating assistance. Our fiscal 1984 year budget proposal clearly

reflects this position, and we have been consistent and forthright with respect to this issue.

Whether a particular proposed appropriations provision is permissible under the House or Senate rules is a matter that obviously falls within the jurisdiction of the House or Senate parliamentarians. With respect to the House, however, while it is not generally in order to include language in an appropriations bill that changes existing law, it is our understanding that there is an exception to this rule which permits such a provision if it affects a reduction or retrenchment of expenditures. And we believe our proposed operating assistance limitation of $225 million would be covered by this exception.

LOCAL BUDGETS BASED ON STAA

Senator Andrews: Of special concern to various States and cities is the fact that their budgets and fiscal cycles are very different from the Federal Government's. In the case of many cities and States, budgets have been developed predicated on the operating assistance level in the Surface Transportation Assistance Act, and the Fiscal Year 1983 appropriation. Practically speaking, they have State and local budgets that are totally out of phase with the President's budget proposal. Given this and the continuing clamor over operating subsidies, why didn't UMTA propose some alternative scheme for operating subsidies?

Response: The differences in fiscal years and budget cycles between the Federal Government and many States and localities are well known. The UMTA program accommodates the many different budget processes encountered by our grantees. For example, a grantee's operating assistance grant for a given year is typically funded from that grantee's apportionment of funds in prior years. Consequently, Federal operating assistance to be used in local fiscal years beginning this summer, for instance, will generally be Federal FY 1983 allocations or earlier rather than FY 1984 funds. There are exceptions, however.

Appropriation levels quite commonly fall short of authorization levels throughout the Government. In recognition of this, it would be unusual for a recipient of Federal funds to make budgetary decisions solely on the basis of Federal authorization levels.

Owing to the incrementalism that for so long has influenced Federal program levels, program recipients customarily base their expectations of Federal funding levels on prior year appropriations. Accordingly, many grantees grantees might base their FY 1984 expectations on the FY 1983 appropriations. However, since February 1981, we have unequivocally and consistently made known our specific intention to request that the Congress phase out the operating assistance program.

Under all these circumstances, few recipients would predicate their own budget levels on the FY 1983 appropriation and/or the STAA. In light of our persistant efforts to control spending and reduce dependence on operating assistance, the general expectation should be that we would persist in seeking reductions through the budget process.

We have never denied that program recipients would have to face hard choices in the absence of the Federal operating assistance levels of prior years. In recognition of such difficulties, we have made every effort to give notice and then to graduate the phase-out in stages. We are undertaking every possible means to assist local authorities in finding alternative funding mechanisms, pricing strategies, and efficiencies to help offset the phase-out. We have worked with Congress to create a block grant program to reduce administrative costs and increase local flexibility. We believe this is the most appropriate approach but we are prepared to review any proposal that any party wishes to put forth.

While we have been firm and clear in our intention to phase out the operating assistance program, we have been sensitive to local needs. We have supported such constructive ideas as allowing the use of capital funds for spare parts and thus to improve maintenance. We are trying to remove the unintended effects of Section 13(c) that are costly for transit operations. We have developed programs to reduce costs and improve farebox returns. All of the resources at UMTA's disposal have been put in the service of our program recipients to help them to accomodate the phase-out.

SECTION 9 FORMULA FUNDS VS. DISCRETIONARY GRANTS

Senator Andrews: How will UMTA determine what categories of projects are appropriate for discretionary grants as opposed to funding through the formula grant?

Response: UMTA will expect grantees to use formula apportioned resources available under the new Section 9 for any or all eligible purposes before considering applications under Section 3 for such purposes.

Senator Andrews: Your justification merely indicates that you expect to fund "Extraordinary" requirements through the discretionary grants. How will you define extraordinary grants, or will you wait until localities apportion their formula funds and approved some of the remainder?

Response: Extraordinary grants are defined as those which occur only once in a long period of time, such as very large acquisiitons of rapid rail cars, motor cars, trolleys and commuter cars, and the construction of new facilities and extensive modernization of existing rail facilities. In instances where the areas programming of available Section 9 funds clearly shows that the above type projects cannot be funded, the projects are then considered under Section 3.

NEW STARTS

Senator Andrews: The Surface Transportation Act allows for New Rail Starts. Secretary Dole testified that she intends to give support to new starts that are cost effective. a. What specific criteria will the Department employ to determine cost effectiveness? b. What new rail starts are the Department and UMTA intending to consider? c. Will new starts be funded out of Section 9 funds? d. If so, will the Department augment new start funding with

discretionary grants? e. Please provide for the record a listing of all potential new start candidates for fiscal year 1984, and a range of possible funding requirements.

Response: Several criteria are being used to determine whether new start and extension projects merit UMTA funding. First, based on the results of locally conducted alternatives analysis, we will evaluate the cost effectiveness of bus and rail options. Where the rail alternative will attract ridership at lower cost per rider than the bus alternative, we rank the rail project high. In other cities where the bus alternative will attract ridership at lower cost than rail, we assign a low rating to the rail proposal. The second criteria is the degree of local financial commitment including evidence of stable and dependable funding sources to operate the system. The higher the local (including private) funding participation in the project, the more favorably UMTA views the project. Other factors which may be considered include the degree of local government support, the degree of private sector support, the degree of community consensus, participation by minority business and the length of time since the intiation of preliminary engineering. However, in no case will UMTA support any new starts project that is not cost effective.

UMTA is currently considering only those New Start Rail projects which have completed or are completing Preliminary Engineering and their Final Environmental Impact Statements. These projects are: Atlanta/North-South ($260 million), Detroit/Woodward ($750 million), Houston/North-Southwest ($950 million), Los Angeles/Wilshire($2,730 million), and Santa Clara County/Guadalupe ($180 million).

UMTA will permit the initiation of engineering and construction for new starts with Section 9/9A money only where the project can be fully funded with those and any non-Federal funds. UMTA will not augment these funds with Section 3 money for this type of project. However, those projects which have been initially funded with Section 3 money, can also be funded with Section 9/9A funds.

JOBS STIMULUS BILL

Senator Andrews: The FY 1983 Jobs Stimulus Supplemental increased the Administration's proposed obligation limitation for capital projects under the block grant program by $229 million to the full authorized level of $779 million. What impact will this increased FY 1983 obligation limitation have on your FY 1984 request for the capital funds?

Response: None. Our current proposed obligation limitation for FY 1984 continues to be $1.1 billion on the FY 1984 authorization of $1.25 billion for Discretionary Grants.

Senator Andrews: By how much will both your FY 1983 supplemental request and your FY 1984 request for liquidating cash increase because of the Jobs Stimulus Supplemental? Please explain your calculations.

Response: We believe that our liquidating cash requests of $55 million in FY 1983 and $242 million in FY 1984 will still be sufficient to cover estimated outlays for those two fiscal years. Our initial outlay estimates and resultant cash requests assumed a quick obligation rate upon release of the funding. Since this has not been the case, we now anticipate that FY 1983 outlays will be somewhat lower than our initial estimate and that FY 1984 will be somewhat higher.

We are not adjusting our FY 1983 liquidating cash supplemental downwards at this time since it is prudent to have a small cash surplus. Section 9A is a new program for capital and planning projects and we are not totally confident at this point that traditional outlay payout curves will be followed.

Senator Andrews: Are you aware of any movement to amend your FY 1984 request because of the Jobs Stimulus Bill?

Response: No. Budget amendments are generally submitted when modifications are made to budget requests currently before Congress. We are not changing any of our FY 1984 requests or FY 1983 supplementals, but the Administration's position continues to be that the additional budget authority in the Jobs Bill will have to be offset in some future year.

DATA TO OBLIBATE FUNDS FOR JOBS BILL

Senator Andrews: Has UMTA received all the necessary data in order to obligate fund as specified by the Conference Report on the Jobs Bill?

Response: Yes. UMTA has received the "high unemployment" targeting data required to ascertain the funding eligibility of cities and counties under the Jobs bill.

UMTA can honor all of its congressional earmarkings, and remain in compliance with the provisions of the Jobs Bill.

ALLOCATION OF $229 MILLION

Senator Andrews: How soon will the $229 million for mass transit formula funds be allocated to the States?

Response: We have published in the April 25, 1983 Federal Register total apportionments for all areas under 200,000 population and 90.3 percent of the apportionment for urbanized areas over 200,000 population.

The remaining 9.7 percent for urbanized areas over 200,000 will be published as soon as the supplemental data submitted by transit operators has been validated and added to our data base. We expect to complete the apportionment of this last 9.7 percent before July 1, 1983.

BUS PROGRAM

Senator Andrews: The Committee is very concerned that potential bus grant applicants have been discouraged from requesting funds this fiscal year on the grounds that the bus

subactivity was cited by UMTA as the source for the recent reprogramming. How many bus grant funding applications have been received so far this year and what is the dollar total? How much has been obligated to date? How many bus versus bus facility grants will be funded this year?

Response: Some 300 grantees have requested funding for bus projects totaling $955 million. As of March 31, 1983, a total of $212,147,172 had been obligated.

We anticipate that approximately 52% of available bus funds will be applied to bus acquisition projects and 42% will be utilized for bus facility grants. The balance will be used for 16(b)(2) activities.

DISCRETIONARY GRANTS

Senator Andrews: The Surface Transportation Assistance Act of 1982 provides that one cent per gallon of the taxes paid on motor fuels be used to provide assistance to mass transit. Eligible projects include rail modernization, major bus needs, specialized services and investment planning. How will UMTA prioritize spending for these Discretionary Grants? Provide for the record a detailed analysis of funding requirements for Fiscal Year 1984.

Response: We first plan to accommodate Letters of Intent; $75.9 million will be required in FY 1984. Complying with congressional direction will require another $25 million. To satisfy Full Funding Contracts, $75.5 million will be necessary. Other existing commitments will require $196.9 million. This includes $62.3 million for Boston, $108.6 million for Detroit, $24.0 million for Denver and $2.0 million for Tampa. Other congressionally directed programs under Sections 4(i), 3(a) (1) (C), 8 and 16(b)(2) programs will utilize about $88 million. After honoring these commitments from the $1.1 billion available, only $638.7 million remains.

With the remaining funding, the modernization of existing rail systems is still our highest priority. Funding for cost effective new starts would be considered consistent with a reasonable accommodation of rail modernization and extraordinary bus needs.

SAFE HARBOR LEASING

Senator Andrews: The use of the so-called safe harbor leasing provision for transit properties is set to expire. Unless a purchase contract was entered into by April 1, 1983, or the mass transit vehicles are to be placed into revenue service by December 31, 1987, safe harbor can no longer be utilized. Looking back, what has safe harbor meant for mass transit in terms of dollars and vehicles?

Response: As of April 1983, there have been thirty-eight safe-harbor lease transactions involving UMTA-funded equipment. In total, these transactions earned grantees approximately $26,716,474. Legal and financial fees incurred in connection with these transactions generally were paid from these amounts earned, so the net amount earned by grantees was somewhat less. The equipment leased included 3,256 buses, 499 rail cars, and 2 ferryboats.

Senator Andrews: How many transit properties made application by the April deadline, and how many will qualify under the 1987 in-service criteria?

Response: Under the Tax Equity and Fiscal Responsibility Act of 1982, mass transit equipment placed in service after 1987 would not generally qualify for safe harbor leasing tax treatment. There is an exception to this rule, however, if equipment was subject to a binding contract or commitment entered into before April 1, 1983, and the equipment was not placed in service until after 1987 because of conditions beyond the control of the lessor and lessee.

Two transit properties - Houston and Santa Clara - were interested in meeting this April deadline. However, only Houston was able to meet the deadline since it was purchasing its rail cars under a contingent contract entirely with its own funds. Santa Clara was orginally interested in meeting the April deadline but is now attempting to meet the in-service by 1987 requirement.

Regarding the second part of the question, we have no way of estimating how many transit agencies will use safe harbor leasing for equipment placed in service by 1987.

Senator Andrews: For areas such as Santa Clara, UMTA's timely approval of their rail car purchase is necessary in order to meet the in-service by 1987 criteria. Do you anticipate any problems in approval?

Response: No final decision to fund the Santa Clara project can be made by UMTA until the Federal environmental review process has been completed. Since that process is still going on, UMTA cannot give a definitive answer at this time. We will expedite any necessary reviews once the environmental process is completed.

Senator Andrews: Some transit properties, such as New York MTA, made such extensive use of safe harbor that major capital investments were undertaken for long term modernization, and replacement of rolling stock. Now that safe harbor is phasing out, what will be the future effect on the UMTA program: will rail and bus needs be somewhat diminished by the past use of safe harbor, or will there be an increased requirement for rolling stock for those areas which did not utilize the leaseback?

Response: It is important to point out that safe harbor leasing will not be phased out for some time. It remains available for mass transit vehicles until the end of 1987 (and even after that date in special circumstances). With regard to its past and future effect, our impression is that transit authorities have not taken actions solely as a result of the tax leasing provisions, but rather have used safe harbor leasing to lessen the total cost of projects they would have undertaken even if safe harbor leasing were not available.

Senator Andrews: What will be the effect of the safe harbor capital build up downstream--will maintenance and replacement costs skyrocket?

Response: We do not think so. It is our impression that transit agencies have utilized safe harbor leasing in connection with projects they would have funded anyway. It does not appear that the

availability of safe harbor leasing has significantly altered the rolling stock purchases of grantees. If this is so, safe harbor leasing should not of itself affect maintenance or replacement costs.

FOREIGN MARKETING OF TRANSIT EQUIPMENT BY DOMESTIC MANUFACTURERS

Senator Andrews: In the Far East, particularly Southeast Asia, the cities are growing and these underdeveloped countries are having problems financing imported oil to fuel large city auto populations. Therefore, mass transit projects are being advanced. An example is the $2.3 billion Singapore subway project announced a few months ago. European transit manufacturers all have active, aggressive export sales and marketing efforts that will take advantage of these Far Eastern opportunities. What is the situation with American transit manufacturers? Do they have the capability and capacity to market their products to these foreign markets?

Response: It is difficult to make generalized statements about the abilities of American manufacturers to compete successfully in foreign markets. It is likely, though, that those manufacturers selling subsystems and components may be more successful than those selling entire vehicles or systems. This is because frequently the economic and political circumstances favor the manufacturers with local or proximal assembly facilities, and generally speaking American vehicle manufacturers have little in the way of overseas assembly sites. Further, there is considerable variation among the American manufacturers regarding corporate goals and strategies for foreign sales. Some pursue them aggressively, while others prefer to concentrate on the domestic market. Also, many countries, in an attempt to bolster their own economic infrastructure, progressively encourage locally-owned suppliers and discourage foreign ones, to the possible extent of eventually freezing out non-local manufacturers.

FOREIGN MARKETING OF AMERICAN TRANSIT EQUIPMENT-DOMESTIC IMPACT

Senator Andrews: What effects will these new markets have on the U.S. equipment market? Will the new activities make for lower prices in the U.S. because manufacturers will get into a lucrative new business or will we be at a disadvantage by having to compete for limited equipment supplies?

Response: The growth of transit equipment markets in other countries probably would have little effect on the market in the U.S. There is considerable capacity in the U.S. transit manufacturing industry for production growth. Therefore, new markets in the underdeveloped countries are unlikely to drain away the ability of equipment manufacturers to supply the needs of the U.S. market. It is possible that higher U.S. production levels could result in reduced unit costs. However, if U.S. manufacturers were to open foreign plants in order to compete internationally, that effect would be minimized.

INTERSTATE TRANSFER GRANTS

Senator Andrews: The Budget requests $380 million for Interstate Transfers. In accordance with the Surface Transportation Assistance Act of 1982, half of these funds are to be distributed at the discretion of the Secretary and half by Congress. How will the Secretary spend the $190 million in fiscal year 1984?

Response: We will allocate funds under the Secretary's discretion to projects on the following basis:

First, projects already under construction will be funded at a level sufficient to maintain construction schedules until completion.

Next we will consider projects which are defined but not under construction or not in progress (for example vehicle purchases), and for which the grantee has the financial capacity to complete with Interstate, Section 9 and local funds without dependence on UMTA's Section 3 program.

Last we will consider all other projects to the extent funding remains available.

Senator Andrews: When will the Department make known what the remaining entitlements are and how much of each area's entitlement will be used for transit substitutes?

Response: The current remaining entitlement as of December 1982 is $5.6 billion (computed as per Section 107(c)(2) of the STAA of 1982). The estimated cost of transit and highway projects is currently being developed in responce to Section 107(c)(1) of the STAA of 1982 and will be transmitted to Congress in July 1983.

Senator Andrews: How many withdrawals are expected by the deadline of September 30, 1983.

Response: It is difficult to determine precisely the Interstate segments which will be withdrawn before the September 30, 1983 deadline and in many cases in final decision has not been made. We are aware of eight Interstate segments where withdrawal requests are being actively considered. Other withdrawals may also be requested by the September 30, 1983 deadline.

Senator Andrews: Will the Administration's funding levels be sufficient to allow substitution projects to be under construction by the September 1986 deadline?

Response: We will be in a better position to answer this question once the estimated cost to complete the Interstate Transfer transit projects is completed.

ADMINISTRATION OF SECTION 18 PROGRAM

Senator Andrews: How, exactly, will the program be administered to the States?

Response: We will review possible administrative procedures with the States and local recipients and select an efficient delivery mechanism which is responsive to their needs.

Senator Andrews: How do you respond to the concern that the transfer will be disruptive?

Response: UMTA has established a transition team for the orderly transfer of the Section 18 program. The team will develop procedures to simplify the grant-making process and program management. UMTA will continue to provide funds for research and to fund workshops, conferences and training sessions.

Senator Andrews: How soon does UMTA intend to publish guidelines on its methods of administering the fiscal year 1984 program?

Response: UMTA intends to publish application procedures and project management guidelines prior to the begining of FY 84.

Senator Andrews: Will you include AASHTO and the concerned States in your deliberations on those guidelines?

Response: Yes. We will work closely with AASHTO, the States and local recipients in developing the program guidelines.

Senator Andrews: What personnel adjustments will you make to administer the Section 18 program?

Response: UMTA will delegate its ten regional offices the responsibility to provide technical assistance to the States in developing and monitoring capital and operating grants. UMTA headquarters staff will provide technical assistance by developing demonstration, training and research projects.

Senator Andrews: We understand that the end of Fiscal Year 1982 was the first time under the Section 18 program that States could have lapsed funds. How many States lapsed funds last September?

Response: None.

Senator Andrews: What is your expectation for lapses at the end of Fiscal Year 1983?

Response: No lapsed funds are anticipated at the end of FY 83.

Senator Andrews: How will the availability of apportionments for three years, instead of four, make the program more responsive to the needs of rural areas?

Response: The availability of apportionments for three years instead of four years is expected to accelerate the obligation of Section 18 funds.

Senator Andrews: Do you envision any future programmatic changes, such as in the areas of labor protection, or amount of Federal match for administrative expenses?

Response: No.

WMATA FUNDING

Senator Andrews: The General Manager of the Washington Metropolitan Area Authority testified before this Committee earlier this year that the Authority's request for Stark-Harris funding is $375 million, versus the President's budget level of $230 million. WMATA contends that delays of at least a year would result for three priority segments (Vienna, Wheaton, and Anacostia). What insights can you provide the Committee on a budget level that will keep the rail construction program moving along at an appropriate pace?

Response: WMATA"s $375 million program includes construction activities beyond the 75 mile system which DOT has committed to funding.

We have proposed a $275 million rail construction program for FY 1984. This level of funding is adequate to maintain the 75 mile priority construction program planned by WMATA and will not result in any delays to completion of the Vienna or Wheaton extensions. Construction of the Anacostia line has been, and remains, delayed by court injunction.

Senator Andrews: WMATA told us that the Administration is committed to a $275 million total program, comprised of $230 million from Stark Harris, $25 million from block grants, and $20 million from an unidentified other source.

Reponse: The $275 million rail construction program will consist of $230 million of Stark Harris funds and $45 million available under the Section 9 formula assistance program. We intend to supplement WMATA's bus and rail capital improvement program with funds from the Section 3 capital assistance program.

Senator Andrews: Why should the block grant be squeezed to fund rail construction when a $1.7 billion Stark-Harris authorization was enacted to fund that very activity? Furthermore, this limits the local option implicit in the block Grant Approach Congress established.

Response: We believe that our budget proposal adequately provides for WMATA's capital activites. Utilization of the Section 9 funds and Section 3 capital assistance programs, in conjunction with Stark-Harris appropriations, provides an appropriate level of funding for WMATA's programs.

Senator Andrews: Do you expect to achieve the $275 million level through the use of Interstate Transfer grants?

Response: The budget proposal does not anticipate any Interstate Transfer funding for WMATA in FY '84. The $275 million rail construction program will consist of $230 million of Stark-Harris funds and $45 million of Section 9 formula assistance funds.

Senator Andrews: The Reagan Administration held the WMATA rail system to 75 miles on the grounds that the economy could not tolerate anything more extensive. Now that economic indicators are improving, what consideration has the Department given to funding the full rail system?

Response: We believe the Department should continue to focus resources on completing a fully operable 75 mile system.

Senator Andrews: Have you and WMATA established the specific routes comprising the 75-mile system?

Response: Yes. The 75-mile system will include the lines to Vienna and Huntington in Fairfax County and the line to Shady Grove in Montgomery County, all of which are presently under construction. Construction is underway on the Silver Spring to Wheaton extension in Montgomery County and the Anacostia to "U" Street line in the District.

Senator Andrews: How much will it cost to complete 75 miles, and how much for the original 101 miles?

Response: To date (December 13, 1982), the Metro rail system has cost a total of $4.978 billion. WMATA has not submitted updated construction cost estimates on the minority 75 mile system. The Department estimates that the current authorized levels in P.L. 96-184 one sufficient to complete the 75 mile system.

Completion of the entire 101-mile system is estimated at a total cost of $10.4 billion.

Senator Andrews: When will the 75 miles be completed under the Administration's proposed levels?

Response: The department estimates that the 75-mile system should be completed in 1990.

BUS REHABILITATION

Senator Andrews: Bus Rehabilitation can be a flexible and cost effective alternative to the purchase of new buses. What is UMTA's policy concerning bus rehabilitation versus new bus purchase and under what conditions is bus rehabilitation a viable alternative to a new bus purchase?

Response: UMTA believes and has indicated to grantees that bus rehabilitation offers an alternative to the purcahse of new rolling stock. It is of particular interest to which those properties who may have financial constraints. In addition grantees who may already have a standardized fleet may desire to retain this standardization for financial reasons they may deem to be important.

In any event, it is a local decision whether to rehabilitate exisiting buses or to purchase new buses. The grantee is in a much better position to determine its bus procurement needs.

UMTA has funded a study of the economic evaluation of rehabilitating old buses versus buying new buses which concluded that no generic economic evaluation could be identified that was applicable nationally to this issue. The study documented the fact that the decision to buy or to rebuild depended on a variety of local issues not easily quantified. Some of the issues are: condition of the equipment, availability of local funds,

standardization of the fleet, concern for reliability, extended life desired; and procurement lead time. This study have been made to grantees to aid them in reaching a local decision on rehabilitation of buses.

Senator Andrews: Do you require that transit properties consider or prepare an economic analysis on the benefits of bus rehabilitation before they apply for an UMTA grant for purchasing new buses?

Response: No. UMTA does not require that an economic analysis of bus rehabilitation be prepared by the grantee before a grant application is submitted for the purchase of new buses. The decision to purchase new buses or rehabilitate older buses in a fleet is the grantee's decision, predicated upon local requirements and conditions.

Senator Andrews: If for a certain transit property, bus rehabilitation has been shown as being more efficient and effective than a new bus purchase, would you still grant funds for a new bus purchase? Why?

Response: UMTA has no information to date that unequivocally shows that bus rehabilitation is more efficient and effective than new bus purchases. The grantee is in the best position to judge whether to rehabilitate older buses or to purchase new buses based on local requirements and considerations. If it is the grantee's decision to purchase new buses, UMTA would accept an application for Federal funding support.

COMMUTER RAIL STRIKES

Senator Andrews: Although Conrail successfully got out of the commuter business on January 1st of this year, it seems as though not all of the local operators successfully got into the business. New Jersey Transit, SEPTA, and New York MTA have all had or are still having strikes. Just what are the specified reasons for these strikes?

Response: During March and part of April there were three separate strikes underway against commuter railroad operations by the United Transportation Union (UTU). One was against the Metro-North lines operations out of Grand Central Terminal in New York City, the second was against the New Jersey Transit Corporation's North Jersey commuter service, and the third against the SEPTA commuter rail operation in the Philadelphia area. The first two strikes are now over, but the third continues.

Basically, the strikes stemmed from the transfer of commuter rail service in the Northeast Corridor from Conrail to regional authority operation, plus the authorities' desire to reduce costs by changing work rules and operational practices.

In the New York strike, which began on March 7 and involved about 600 employees and 90,000 passengers, the main issue is the size of train crews. MTA wants

flexibility in fixing crew consists, while the union wants minimum crew levels set in the contract. The strike ended on April 18 and the issues are being submitted to binding arbitration. One arbitrator will be picked by the union, one by management, and the third will be named by the first two or by the Governors of New York and Connecticut if they cannot agree on a third. The arbitration period is to be limited to 85 days, of which 45 will be for naming arbitrators, 10 for submitting arguments and 30 for the arbitrators to make decisions.

In New Jersey, where a rail strike lasted from March 1 until April 4, some 70,000 passengers were affected along with 780 rail employees. The new contract that was ratified changes work rules and cuts salaries of trainmen.

In the Philadelphia strike, which began on March 15 and involves about 450 employees and 38,000 passengers, both pay and work rules are the issues. SEPTA wants to operate the commuter rail service as a transit service which would, among other things, reduce the average annual wage of rail operators from $36,000 to $31,000. As of mid-April no settlement appears imminent, although talks are going on. An attempt is underway to settle the strike by binding arbitration.

Senator Andrews: What liability is associated with these strikes for the local authorities as well as to the Federal Government?

Response: As a result of the commuter rail strikes in New York, New Jersey and Philadelphia, local transit authorities may very well experience significant reductions in ridership and a corresponding reduction in farebox revenues. During the strikes, riders were forced to seek alternative means of transportation. Many riders resorted to carpools and vanpools. Others took advantage of increased bus service offered by private providers. Now that the strikes are over in New Jersey and in the New York metropolitan area, local public transit authorities will have to assess the impact of the strike on ridership. No specific liability is associated with these strikes to the Federal Government.

Senator Andrews: Are local authorities going to need more money?

Response: No. We have paid approximately $68 million to commuter authorities and will pay another $57 milllion to these authorities within the next month for transition costs. The strikes arose out of management efforts to increase operating efficiency and reduce costs, and in the long term the resolution of these issues should be beneficial to the local authorities.

13(c) GUIDELINES

Senator Andrews: Section 13(c) of the UMT Act has been under a lot of attack. The debate has become more heated since the Administration began reducing transit operating assistance. Administration policy to encourage local governments to make day-to-day operating decisions would be consistent with changing or deleting Section 13(c) so that local labor-related transit issues once again become subject to local negotiations and not

transformed into national concerns. DOT and the Department of Labor were scheduled to publish new Section 13(c) guidelines by the end of 1982. What is the status of the new guidelines?

Response: The Departments of Transportation and Labor have, for some time, been working together to develop new guidelines for the application of labor protections required by Section 13(c) of the UMT Act. Such protections are traditionally the product of a negotiation between organized labor and the grantee, and must be in place prior to the issuance of a Federal urban mass transportation grant. As you stated, Section 13(c) has been the source of much controversy and strong feeling throughout the life of the UMT program and, as I am sure you can appreciate, the crafting of new guidelines requires a careful and thoughtful deliberation process involving not only the Departments of Transportation and Labor, but also the President's Task Force on Regulatory Relief.

The Department of Labor is still in the process of finalizing these new guidelines for submission to the President's Regulatory Relief Task Force. I am not in a position to assure the Committee when DOL will issue the proposed guidelines since that is a decision only DOL can make. DOT has advised DOL that the new guidelines ought to protect mass transit employees against any adverse impacts associated with Federal assistance and preserve their collective bargaining rights without (1) conferring new rights upon organized labor, (2) infringing upon local collective bargaining matters (e.g., imposition of interest arbitration on collective bargaining disputes), or (3) interfering with the implementation of innovation or the management of transit systems.

Senator Andrews: Should Congress be considering legislative relief for Section 13(c) problems? If so, what suggestions would you have for such a proposal?

Response: The legislative proposal transmitted to Congress by the Administration on November 29, 1982, included a provision to transfer responsibility for the administration of Section 13(c) from DOL to DOT. We believe that this would provide greater flexibility to ensure that these labor protections are administered consistently with transportation policy. However, Congress chose not to adopt this provision. At this time, I would recommend that we continue to develop guidelines with DOL.

BUY AMERICA

Senator Andrews: What is UMTA's plan on implementation of the Buy America provision contained in the Surface Transportation Assistance Act?

Response: UMTA plans to issue an emergency final rule setting out the requirements implementing the new statutory provisions. In addition to setting out final regulations, UMTA will also be requesting comments on the regulations and on several topics concerning implementation of the statutory provision.

Senator Andrews: How soon will UMTA promulgate its final regulations?

Response: It is expected that the emergency final rule will be published in May. A sixty-day comment period will be provided. Final regulatory action is expected within six months of publication of the emergency final rule.

Senator Andrews: How difficult will it be for UMTA to define those components identified as "50 percent American" components (Train Control Equipment, Communication Equipment, and Traction Power Equipment)?

Response: UMTA's reading of the statute is that train control equipment, communication equipment, and traction power equipment can be either components or end products themselves. Rather than attempting to define these items, UMTA, in its emergency regulations, intends to set out listings of typical train control equipment, communication equipment, and traction power equipment. These listings are not all inclusive, and UMTA will specifically request comments concerning additions to and/or deletions from these listings. The listing includes both on-board and wayside equipment.

Senator Andrews: What will be the result of the new provision requiring that all contracts be subject to the Buy America provision, instead of the old threshold of $500 thousand contracts?

Response: It is difficult to determine, at this time, exactly what the impact will be. In its Federal Register document, UMTA will specifically request information as to the impact of applying the Buy America requirements to all contracts. UMTA is particularly concerned with the impact that the change will have on the procurement of replacement parts.

Senator Andrews: Who in the Department will be responsible for consideration of waivers?

Response: The authority to grant exceptions (waivers) will be delegated by the Secretary to the UMTA Administrator. All exception requests will be reviewed by the UMTA Chief Counsel before final action is taken by the Administrator.

Senator Andrews: Do you expect a substantial increase of waiver requests?

Response: Yes. This increase is expected for two reasons. First, the elimination of the $500,000 project-size threshold for exemption from the basic requirements will probably increase the number of requests for "public interest" exceptions. Second, the applicability of the "100%" requirement of Section 165(a) to non-rolling stock manufactured items will likely increase the number of exception requests.

Senator Andrews: Have you identified how many states have more stringent Buy America statutes, and if so, for what category of transit equipment?

Response: We are in the process of reviewing all States' statutes to determine if there are any which have more stringent Buy America requirements. Since enactment of the new provision, the only issue that has arisen concerning State requirements involves Pennsylvania's "buy domestic steel" provision. This State provision is almost identical to the Federal requirement.

Senator Andrews: Please identify for the record your observations on comments received to date on your emergency final rule.

Response: The rule has not yet been published.

Senator Andrews: How will Buy America compliance be determined, and by whom?

Response: Each UMTA grantee will be required to include in its bid specifications an appropriate notice of the Buy America provision. The specifications will require, as a condition of responsiveness, that the bidder or offeror submit with the bid a certificate indicating that it will comply with the general Buy America requirements, or that it will comply with the statutory and regulatory requirements if rolling stock is being procured. It will be presumed that a bidder who has submitted the required certificate is in compliance. Any party may petition UMTA to investigate the compliance of a successful bidder with the bidder's certification. The petitioner must include in its petition a statement of the grounds of the petition and any supporting documentation. If UMTA determines that the information presented in the petition indicates that the presumption of compliance has been overcome, UMTA will initiate and conduct an investigation.

Senator Andrews: How will the Buy America provision be affected by other procurement procedures and requirements, such as life-cycle costing?

Response: The use of life-cycle costing may produce a situation in which the low bidder, after application of the factors, is a foreign manufacturer who will request a price differential exception. For example, the application of life cycle costing factors might adjust a foreign bid so that it was 10% or more less than a domestic bid, whereas before the application of the factors, there was not a 10% or more differential. Since the Buy America requirements for rolling stock are almost identical to the 1978 Buy America requirements, we do have some experience in this area. Only one price differential waiver was requested after life cycle costs were considered, and thus we do not feel that Buy America will have a major impact in this area.

STATUS OF THE BUS INDUSTRY

Completely fill the space from line to line

Senator Andrews: What is your assessment of the overall status of the American bus industry? How has it been affected over the past several years by safe harbor leasing, and what is your projection of bus industry volume and financial performance as a result of the new transit authorization?

Response: At the present time, there is continued reason for concern over the viability of the bus manufacturing industry in the United States. Neither of the two most prominent domestic manufacturers appear to be producing enough vehicles to ensure revenues and profits adequate for continued competitiveness. This is due to a number of reasons. First, a number of foreign manufacturers have entered the market through licensing or construction of domestic production capacity. Second, the market has increased in complexity as the number of vehicle types has

proliferated to include New Look, New New Look, ADBs, small buses, articulated buses, etc. Third, the domestic manufacturers have made large capital investments in ADBs. Unfortunately, these buses have not been well received by transit operators, who seem to fear the complex technological innovations involved in these new vehicles. Some aspects of these innovations and many important subsystems (air conditioning, transmissions, wheelchair lifts, etc.) still have a reputation for unreliability.

To date, the effect of safe harbor leasing on bus manufacturers has been acquisition of 3,256 buses.

During FY 1982, approximately 3,200 vehicles of all sizes and types were included in UMTA grants. At the present time, we expect that approximately the same number will be included in UMTA grants during FY 1983. The Surface Transportation Assistance Act represents a major restructuring of UMTA's program which would be expected to provide funds for bus purchases. It is expected that Section 9 block grant funds will be the source of funding for most future vehicle acquisitions. Because this is a block grant program, it will be up to State and local officials to determine the allocation of these funds to each eligible activity. Nevertheless, it can be expected that bus vehicle purchases would continue at approximately the same level if normal bus replacement schedules are followed. This level of bus procurement is not likely to significantly improve the financial position of the bus manufacturing industry.

VALUE ENGINEERING

Senator Andrews: GAO recently reported that UMTA could achieve substantial savings by applying Value Engineering (VE) to the design of federally funded rail and bus construction projects. Value Engineering has resulted in substantial cost savings to the Department of Defense and to private industry. UMTA's response was that although it agrees that VE has the potential to achieve substantial savings, it does not believe VE is the only method that can produce savings. UMTA stated that it was developing a comprehensive project management guideline for cost control that would incorporate VE and other processes and encourage the use of VE in construction contracts. What is the status of the cost control guideline UMTA is developing?

Response: The cost control guidelines are procedures that UMTA and the grantee will follow in pursuing cost reduction on major transit projects. These procedures are still in the developmental stage.

UMTA is planning an in-depth review of the Los Angeles system by various transit specialists from both UMTA and the Transportation Systems Center, based on the concepts of Value Engineering. When the review is complete in July, UMTA will be in a better position to complete the guidelines.

Senator Andrews: UMTA has stated it lacks sufficient staff resources to appoint a full-time program manager for VE activities. Has UMTA taken into consideration the potential savings an active VE program could achieve?

Response: UMTA acknowledges that Value Engineering does have the potential to achieve significant savings. We do, however, feel that other cost reduction efforts such as peer reviews and UMTA team reviews also have a significant potential and UMTA cost reduction guidelines will include all other methods. We believe that these efforts can be accomplished with existing Headquarters and regional offices' engineering staff.

Senator Andrews: UMTA has agreed that it should share VE costs with the grantee in proportion to the Federal contribution to project costs. What is UMTA's position on sharing the savings that result from VE in the same proportion?

Response: UMTA automatically saves the Federal share (75 or 80%) of any cost savings for any cost reduction of its source.

Senator Andrews: UMTA will encourage grantees to use independent engineering or architectural firms to perform VE, but will not require it. Why?

Response: Major projects may include Value Engineering as a cost reduction mechanism. They also may include peer review and UMTA team reviews. In keeping with this Administration's philosophy of limiting Federal involvement in local choices, UMTA believes the grantee should be provided the flexibility to determine the methods that best suit their cost reduction needs.

LOS ANGELES SYSTEM COST-EFFECTIVENESS

Senator Andrews: At the APTA Legislative Conference last month, the Los Angeles people came up to me after my speech and claimed that their transit system is the most cost-effective in the country. Is that so?

Response: Based on the results of the alternatives analysis on the Wilshire Boulevard project, UMTA considers the rail proposal being advanced by Los Angeles officials to be a good choice in terms of cost-effectiveness. The Wilshire Boulevard corridor already carries a large number of transit patrons who use the existing bus service. A rail project would provide significantly faster service than buses, given the congestion buses encounter on freeways and arterial streets in the corridor, and thus would greatly improve travel times for existing riders and would generate significant increases in transit ridership. In terms of cost per added rider, one measure of cost-effectiveness, the Los Angeles project compares very favorably with other rail projects being proposed throughout the country.

Cost and patronage estimates for the Wilshire project are currently being refined as a part of preliminary engineering. UMTA and local officials will be in a better position to evaluate the Wilshire Boulevard project's cost-effectiveness when the more precise estimates from preliminary engineering become available later this year.

IMPLEMENTATION OF HANDICAPPED/ELDERLY TRANSPORTATION PROVISION

Senator Andrews: Section 317 of the Surface Transportation Assistance Act of 1982 (Pub. L. No. 97-424) requires the Secretary of Transportation to publish for comment a regulation establishing: (1) minimum criteria for grantees' provision of transportation services for elderly and handicapped persons; and (2) procedures for the Department to monitor compliance by grantees. The publication deadline for the proposed rule was April 6, 1983. Has the Department published the proposed rule? If so, please explain its provisions and the compliance procedures including the offices within UMTA responsible for ensuring compliance and the costs involved with this for fiscal year 1984.

Response: On April 18, 1983, the Department sent copies of the proposed regulation required by section 317 to the Department of Justice and the Office of Management and Budget for review under Executive Orders 12250 and 12291, respectively. These agencies must approve the proposed rule before the Department can publish it in the Federal Register. Since the proposed rule has not yet been published, I am unable to discuss any of its provisions.

The Department recognizes that we have not met the April 6, 1983, deadline. Due to the extreme complexity of this issue and its long history, we spent a considerable amount of time studying the options available for implementing section 317. This analysis took longer than expected. Nonetheless, a great deal of care went into this process and particular attention was paid to the legislative history of section 317.

Under the Department's existing regulation concerning transportation for elderly and handicapped persons, UMTA's Office of Civil Rights is responsible for enforcement. I do not anticipate any change in this responsibility under the new regulation. I do expect, however, that UMTA will be dedicating more staff time and funds to monitor compliance once the regulation becomes effective. Exact figures for staff years and costs for fiscal year 1984 are not available.

SECTION 317 REGULATION

Senator Andrews: How long will the comment period be for the proposed rule required by section 317? Will there be sufficient time for public comments before the statutory deadline for the final rule on July 5, 1983?

Response: The Department has asked both the Department of Justice and the Office of Management and Budget to expedite their reviews of the proposed rule so that it can be published as quickly as possible. The Department believes that a long comment period, such as 60 days, is necessary to ensure that the many interested parties have a full opportunity to present their views and thus will allow the Department to promulgate a carefully considered final rule. While the Department recognizes that this comment period may result in not meeting the July 5, 1983, deadline, we believe that shortening the comment period could adversely affect the quality of the final rule.

MAINTENANCE POLICY

Senator Andrews: Maintenance is a key factor in determining whether or not transit buses perform reliably and achieve their maximum useful life. Preventative maintenance activities, however, are not always performed in a timely manner by transit authorities, and financial pressures from increasing costs and limits on subsidies could further impact on maintenance activities. What is UMTA's policy on standards for maintenance facilities and equipment?

Response: UMTA has developed a proposed policy stating the grantee's obligation to maintain transit related equipment and facilities. This proposed policy recognizes the annual audit and the triennial review provisions of the Federal Public Transportation Act of 1982 as a means of improving maintenance oversight. The policy will be published in the near future and incorporated into the management guidelines for UMTA programs. However, UMTA will not prescribe maintenance standards, since this is viewed as a local responsibility and is location dependent.

Senator Andrews: The American Public Transit Association prepared general maintenance guidelines for voluntary use by transit systems which UMTA has stated are compatible with their policy. What problems would prevent the use of these guidelines or something similar as prescribed standards.

Response: UMTA would not object to grantees use of the APTA guidelines as part of their maintenance plans. However, UMTA will not prescribe maintenance standards since these are viewed as a local responsibility and requirements can vary widely from location to location. UMTA will expect grant applications either to have or to have in preparation a maintenance plan, and commensurate facilities, financing qualified personnel and equipment to implement such a plan.

Senator Andrews: How will the current approach of grantees' self-certification of a maintenance plan and annual audits be more effective in achieving adequate maintenance?

Response: UMTA expects that the annual audit of the maintenance activities covered by grantees' certification will ensure more efficient and economically run transit systems as a result of improved maintenance oversight. In addition to the self-certification and annual audit, we will be reviewing maintenance plans and their implementation during the triennial compliance reviews required by the legislation.

GUIDANCE FOR ANNUAL AUDITS AND TRIENNIAL REVIEW

Senator Andrews: What guidance have you issued to ensure that the required annual audits adequately evaluate a grantee's compliance with the certification?

Response: We expect to issue the guidelines prior to FY 1984.

Senator Andrews: What plans have you made for the required triennial UMTA review?

Response: We are developing a list of the factors that will be considered during the triennial reviews.

IMPLEMENTATION OF SECTION 105(f)

Senator Andrews: Section 105(f) of the Surface Transportation Assistance Act established a 10 percent minority business requirement for highway and transit activities funded by the Act. How is UMTA moving to implement this provision?

Response: Since the inception of the 10 percent set-aside provision, UMTA has utilized the following efforts to assure that the letter and intent of Section 105(f) are being met.

We have been studying the experiences of the Economic Development Administration (EDA) in the implementation of their minority set-aside provision of the Public Works Employment Act Amendments of 1977. As a result of this helpful insight, this will provide UMTA with: (a) an identification of the parallels between the EDA and the Department of Transportation (DOT) set-asides; (b) the identification of innovative and successful strategies that are transferable; (c) the identification of pitfalls and/or deterrents to the program; and (d) the identification of critical entry points for correcting adverse circumstances that would thwart compliance.

We have begun extensive discussions with the Small Business Administration (SBA) and the Minority Business Development Administration (MBDA) concerning types of programmatic support. As a result, both agencies are now reviewing their program portfolios and are developing innovative and cost effective techniques for our consideration.

UMTA is developing an assurance whereby grant recipients will be required to certify that they will comply with the 10 percent set-aside provision and all other aspects of the DOT MBE regulation (49 C.F.R. Part 23) as an integral part of their grant application package.

We plan to incorporate legally binding language in our grant contracts and grant announcement letters regarding the 10 percent set-aside provision in order to further strengthen and ensure compliance efforts by UMTA grantees.

We anticipate using our Section 20 - Human Resources Program - and our research and development programs to initiate the examination of near term products that are supportive of the 10 percent set-aside provision. In addition, we have noted MBE as a national emphasis area in our planning and technical studies program for this fiscal year. This will be continued as one of our national emphasis areas during the effective term of the 10 percent set-asides applicability.

UMTA has and will be providing technical assistance as follows:

Technical assistance will be provided through the dissemination of administrative guidance, instructions, and/or information on a prescribed schedule (i.e., quarterly) during the duration of the 10 percent set-aside provision. In addition, UMTA will host training sessions to be scheduled to acquaint grant

recipients with how they can effectively and efficiently implement their 10 percent set-aside provision. This will be further supplemented by the identification of contract opportunities that hold potential for MBE participation. We will also define corrective compliance measures, as appropriate.

We will keep local minority contractor assistance agencies well informed about contract opportunities to which the 10 percent will apply. This will be accomplished through existing networks (i.e., SBA, MBDA, National Association of Minority Business League, etc.) of minority assistance organizations so that we can maximize our outreach at minimum cost. In addition, we will continue to hold conferences like the one sponsored by UMTA on March 25, 1983, to provide MBEs with timely information on contract opportunities emanating from the 10 percent set-aside.

UMTA will assist MBEs in acquiring the management and technical assistance needed to benefit from the contract opportunities generated by the 10 percent set-aside provision. This will be accomplished through the coordinated efforts of the Department's program management centers in tandem with the SBA and MBDA. In addition, we may enter into additional contracts with minority/small and disadvantaged businesses for specialized types of supplemental services (i.e., accounting, construction management, etc.), where the need arises.

UMTA, prior to the implementation of Section 105(f), has been reviewing MBE program plans submitted by its grantees under the existing MBE regulation. As a result of this process, UMTA will be able to make recommendations to those that fall below the 10 percent provision and bring them into compliance with Section 105(f). This monitoring effort by UMTA will be an effective means of making sure that grantees are making every effort to meet or exceed the 10 percent set-aside provision.

FUTURE REGULATIONS

Senator Andrews: Will future regulations supersede the one now in place which requires that grantees provide documentation to the Department on the degree of minority participation in transit projects?

Response: The Department will issue a final rule on Section 105(f). UMTA does not anticipate that this final rule will alter the process of grantees providing documentation, regarding minority participation in transit projects, to the Department.

COMMENTS RECEIVED AND ISSUING OF FINAL RULE

Senator Andrews: What comments have you received to date on your regulation, and when do you anticipate issuing a final rule?

Response: The comment period for the Section 105(f) NPRM is closed. UMTA has been informed by the Department that over 1,600 comments have been received for review and coordination. The Department's Office of General Counsel is preparing a summary of these comments which will be issued in the final rule in May 1983.

WAIVER REQUEST PROVISIONS

Senator Andrews: Under what circumstances might the Secretary waive the Section 105(f) requirement? Should the requirement be waived for the procurement of rolling stock?

Response: According to the notice of proposed rulemaking (NPRM), the Secretary would not waive the Section 105(f) requirements. The Administrator of the concerned Departmental element would grant waiver requests. The Administrator would evaluate requests for waivers according to the following criteria cited in the NPRM:

(1) Efforts to locate and utilize MBEs;
(2) Initiatives to encourage and develop MBEs;
(3) The number of MBEs available for work on contracts;
(4) Efforts made by the state to remove legal or other barriers to the participation of MBEs in the recipient's contracts at a level sufficient to meet the recipient's annual overall goals; and
(5) The size of the minority population.

If the Administrator grants the waiver, the grantees must establish an adjusted annual overall goal that they are required to meet for the fiscal year in question.

The Department recognizes that the set-aside requirement for the procurement of rolling stock is a special issue and therefore is considering various options prior to making any policy decisions.

SECTION 20 DEMAND

Senator Andrews: The research portion of the budget contains a specific request for $5 million for the human resources program. What level of funding is allocated during this fiscal year for Section 20 from discretionary grants? Provide a listing of specific projects and costs to be undertaken in the current and budget year.

Response: UMTA intends to allocate at least $5 million of discretionary funds for FY 83. We have not yet determined the specific human resources type projects to be funded this year. However, we are considering projects in 17 cities covering a range of human resources activities, such as technical and bonding assistance to MBE's, training for transit employees, and career development for minorities and women.

The projects we can anticipate for FY 84 will include the same types of activities we intend to undertake this fiscal year, but will extend the benefits of these projects to a number of new areas which have not previously participated in this program.

SECTION 20, HUMAN RESOURCES

Senator Andrews: Why are you requesting an actual appropriation for Section 20 programs in FY 1984, when in the past two years funds for Section 20 projects were allocated from other UMTA funded activities?

Response: Prior to FY 1983, Section 20 Human Resource Programs (MBE, Surety Bonding, Training, etc.) were routinely provided for as an allocation from Section 3. However, Section 21 of the surface Transportation Assistance Act of 1982 separated the Section 3 and Section 20 funding sources. Section 3 funds are now to be derived from the Highway Trust Fund, while Section 20 projects are to be funded from general appropriations.

Because of the Administration's strong commitment to support and foster minority business enterprise, we are asking Congress to appropriate funds specifically for Section 20 programs, Minority contractors, as well as small businesses, in general, have had difficult times during the recent downturn.

Senator Andrews: Your justification states that in FY 1982, $5 million was made available for Section 20, but only $2.3 million was spent. What accounts for the shortfall?

Response: While developing our program plan for FY 1982, we were hopeful that $5 million of viable Section 20 projects would be developed by grantees to the point where grants could be awarded. The $5 million represented UMTA's commitment to the Section 20 program. As project applications came in, however, UMTA's review of the applications revealed legal problems with a number of project proposals. As a result, UMTA was able to approve only $2.3 million in grants during FY 1982.

SECTION 20 - 10 PERCENT SET-ASIDE RELATIONSHIP

Senator Andrews: What connection can be demonstrated between expending funds under Section 20, and helping transit properties achieve the 10 percent minority business goal required by the STAA?

Response: Section 105(f) requires a goal of every UMTA grantee, that 10 percent of its UMTA grant monies going to contracts goes to small businesses owned and controlled by socially and economically disadvantaged individuals. The Section 20 program provides technical assistance which is oriented towards innovatively addressing historical barriers to MBE participation in transit related projects. As a result, the technical assistance as provided will improve the competitive position of MBE contractors and help them overcome barriers such as bonding, venture capital, the lack of mobility funds, management prerequirements, etc.

The Section 20 program should thereby provide substantial assistance to our grantees as they seek to satisfy the requirements of Congress in attaining their Section 105(f) goals.

ROLLING STOCK ACQUISITION CRITERIA

Senator Andrews: The Surface Transportation Act of 1982 (P.L. 97-424) provides that contracts for the acquisition of rolling stock may be awarded on the basis of a competitive procurement process in lieu of the previous requirement that the award be based on an evaluation of performance, standardization, life cycle costs and other factors (as stated in the fiscal years 1982 and 1983 Appropriations Acts) or on the basis of lowest initial capital cost. UMTA's February 2, 1983, circular indicates that the term "competitive procurement process" was intended to mean "competitive negotiation." UMTA also indicates that life cycle cost factors are not a separate method of procurement but that grantees can include life cycle cost factors in either a competitive negotiation or low bid procurement. Do you believe that transit systems were able to effectively carry out life cycle cost evaluations under the previous regulations?

Response: Transit agencies did experience difficulties in early LCC procurements. However, as UMTA provided more information to the industry, as procurement officials and the bus manufacturers gained experience, and as unnecessary complexities were eliminated from the procedures, LCC procurements became more manageable. UMTA has been documenting experience with LCC procurements and disseminating this information to the transit industry. As a result, grantees have the previous experiences of other LCC procurements available for their guidance. Specifically, UMTA has collected and distributed Life Cycle Cost Specifications, procedures, and evaluations representing the state-of-the-art in 1982. Through support of a special APTA Task Force, LCC issues were analyzed and an APTA guideline was also published. In addition, UMTA has conducted fuel economy tests of standard size buses, and the results are being published. The same tests this year, of articulated buses, are underway. A new comprehensive UMTA LCC Program will continue these activities in the future. UMTA will continue to collect LCC data on existing and new vehicles, subsystems and subsystem improvements. This information will be disseminated in standardized format to the transit industry for use in LCC decision making. UMTA will also continue to be available on an "as needed" basis to directly provide technical assistance to grantees wanting to use LCC procurement techniques.

ROLLING STOCK ACQUISITION METHOD

Senator Andrews: How many transit systems do you believe will continue to award procurements based on an evaluation of the life cycle cost, performance, and standardization factors?

Response: During the past few years transit systems have used life cycle cost procedures in the procurement of buses first on a voluntary and then on a mandatory basis. Some transit systems have found life cycle cost an effective and desirable method for procuring buses while others found it too complicated for successful application. It is difficult to predict the number of transit systems that will continue to award procurements based on life cycle cost, performance and standardization.

COMPETITIVE NEGOTIATION

Senator Andrews: To what extent have transit systems used "competitive negotiation" procurement processes in the past?

Response: We do not know the actual use grantees have made of "competitive negotiation"; however, it has not been extensive. The primary means for receiving bids has been Invitation for Bid (IFB), with awards to the low responsive and responsible bidder.

LIFE CYCLE COST FACTOR IN PROCUREMENT

Senator Andrews: To what extent will transit systems include life cycle cost factors when conducting low bid or competitive negotiation procurements?

Response: LCC is now an optional evaluation factor in UMTA-funded procurements as a result of the STAA of 1982. It is, thus, too early to tell whether or not a significant number of grantees are continuing to evaluate LCC factors.

WMATA/SUBURBAN BUS PROGRAM

Senator Andrews: What estimates have you made regarding potential savings in UMTA's formula or capital program as a result of Washington suburban jurisdiction replacing the Metro bus system with local jurisdiction service?

Response: We have not had any specific proposals from the suburban jurisdictions for implementation of substitute Metro bus services. Should these jurisdictions apply for Federal assistance, it can be assumed that comparable levels of service and fares would require the same degree of assistance as is presently provided to WMATA.

Should these suburban jurisdictions elect, as has Montgomery County, to forgo Federal assistance, there would of course be a reduction of Federal capital and operating assistance in the metropolitan area. However, we are unable to estimate this at the present time.

In any event, the initial bus operations under consideration by the City of Alexandria and Fairfax County will result in very limited replacement of Metro bus services (5 percent in Fairfax County, 15 percent in Alexandria) and, even if funded locally, would only minimally reduce WMATA's capital and operating assistance requirements.

WMATA/SUBURBAN BUS PROGRAM

Senator Andrews: What estimates have you made regarding potential savings in UMTA's formula or capital program as a result of Washington suburban jurisdictions replacing the Metro bus system with local jurisdiction service? What level of federal funding might those jurisdictions (Fairfax and Alexandria) require?

Response: We have not had any specific proposals from the suburban jurisdictions for implementation of substitute Metro bus services. Should these jurisdictions apply for Federal assistance,

it can be assumed that comparable levels of service and fares would require the same degree of assistance as is presently provided to WMATA.

Should these suburban jurisdictions elect, as has Montgomery County, to forgo Federal assistance, there would of course be a reduction of Federal capital and operating assistance in the metropolitan area. However, we are unable to estimate this at the present time.

In any event, the initial bus operations under consideration by the City of Alexandria and Fairfax County will result in very limited replacement of Metro bus services (5 percent in Fairfax County, 15 percent in Alexandria) and, even if funded locally, would only minimally reduce WMATA's capital and operating assistance requirements.

WMATA GRANT ADMINISTRATION

Senator Andrews: Recently, UMTA restructured its method of WMATA rail consturction project management by transferring that responsibility to the Philadelphia region. (a) How many total staff years and engineer staff years were involved in project management conducted at Headquarters, and how many are conducting such oversight in Philadelphia? (b) The Headquarters, we understand, is still responsible for grant processing. How many individuals now conduct this activity compred to fiscal year 1982 and 1983? (c) What Savings are realized from this reorganization?

Response: The headquarters WMATA staff, prior to decentralization of project management activities to the regional office, invovled 1 1/4 year of general staff time and 1 engineering staff years. At the present time, 1 staff year is devoted to grant development, as during FY 82-83, at headquarters and 3/4 general staff year and 1/2 engineering staff year is expended for regional project management. The reorganziation of WMATA activited has resulted in the saving of 1/4 staff year.

ADVANCED GROUP RAPID TRANSIT (AGRT)

Senator Andrews: The Administration is continuing its refusal to request funds for AGRT development, despite a clear Congressional expression of interest in the program. Will UMTA follow Congressional guidance as given in the FY 1983 Appropriations Conference Report? That report earmarked $14.5 million for the AGRT program for FY 1983. How much of that total has been committed to date?

Response: UMTA has already committed all of the $14.5 million appropriated and earmarked in FY 1983 for the AGRT program. As the Department has indicated to the committee in several letters, we do not believe that the Congressional goal of initial test results in 1984 can be met. The earliest that this is expected, subject to future funding, is 1985.

Senator Andrews: How much will have been spent on the AGRT Program by the end of FY 1983?

Response: The total amount obligated for this program by the end of FY 1983 will be $53.5 million.

Senator Andrews: How much more will have to be spent to meet the goal stated by Congress that initial test results will be available in 1984?

Response: It is estimated that at least $35 million more will be required to complete test track work and demonstrate an Engineering Development System (EDS) that will demonstrate critical AGRT subsystem technology. However, the system demonstrated would be a proof of concept only, and would not be sufficiently developed or tested to be ready for urban deployment.

Senator Andrews: What additional work would have to be done beyond the initial test results in order to deploy the system in an urban area? What would be the cost?

Response: Based on the current schedule, another $35-$40 million would be required beyond the current program of demonstrating critical command and control technology at a test track before both the AGRT systems would be deployable for public service. Since the current program will only demonstrate and test the AGRT control system technology, this will be performed using vehicle systems previously developed and deployed in other applications.

Additional work beyond the current program will be required to verify issues related to system reliability and maintainability, as well as incorporation of necessary improvements in other major subsystems such as propulsion and vehicle body to assure cost effective pre-production prototypes.

Senator Andrews: What is the potential market for AGRT? When it is ready for urban deployment, which cities might consider implementating the system?

Response: Three potential areas for AGRT application have been identified: circulation systems for the central business district or major activity centers, intermediate capacity line-haul systems for major corridors, and complete networks serving an entire metropolitan area (regional service).

At the present time, the demand for automated systems to serve these functions has not been demonstrated. Whether the market would develop as a product reached maturity remains to be seen.

Past experience has shown that unless the transit industry actively supports the development of advanced system technology like an AGRT system, the advanced technology will not be adopted. Although UMTA is currently making every effort to inform the transit industry about the program, the current program with its exclusive emphasis on the Engineering Development systems test of a close headway system has not attracted much interest. APTA has, however, expressed interest in subsystem applications.

Senator Andrews: New system technology development often results in subsystem development which has applicability to other systems. Do any of the AGRT subsystems have immediate applicability to existing conventional transit systems? What are you doing to follow the congressional direction in last year's report that UMTA make application information on AGRT available to the transit properties?

Response: The Administration has requested no funding for this program in FY 1984. Subsystem and component technology of the type being developed on the AGRT program may be able to ultimately improve the performance and the productivity of AGT and existing conventional transit.

We have made technical information available to the transit industry through a number of mechanisms: APTA members (WMATA, BART, Miami, Detroit and others) have attended major program reviews at each of the contractor facilities where they have been exposed to the technology under development. These meetings are scheduled for the remainder of the project. Also, members of the Rail Progress Institute have been briefed on the technology by both contractors. Finally, papers have been prepared by contractors for technical meetings scheduled by APTA, the Transportation Research Board, and the Institute of Electrical and Electronic Engineers.

Senator Andrews: Does the New System Technology or any of its resulting subsystems have any carryover applicability for more conventional rail passenger service such as that in the Northeast Corridor or the high-speed service proposed for Los Angeles to San Diego or Los Angeles to Las Vegas?

Response: Some of the technology could have applicability to conventional rail passenger service but needs further study.

DEMAND PEAKING

Senator Andrews: Providing transit service for the peak period determines the number of transit vehicles and supporting facilities that a transit system needs. It is not unusual for transit systems in major urban areas to need more than twice as many vehicles for the peak periods than are needed for mid-day service. GAO recently recommended that DOT (1) determine which urbna areas have a peaking problem that could be alleviated by further spreading of work hours, (2) require areas that can benefit to address variable work hours in their transportation plans, (3) establish guidance for use in establishing variable work hours program, and (4) give preference when making grants for vehicle purchases to urban areas that have established or tried to established variable work hour programs. How many urban areas are faced with a peaking problem that could be alleviated by further spreading of employee working hours?

Response: The GAO report to which you refer, is entitled "Spreading Commuter Work Hours Could Reduce Transit Costs". We have completed a preliminary review of this report within UMTA.

Based upon a recent survey, we estimate that approximately 200 urbanized areas have pealed commuter demands that are caused in major part by employee work schedules.

Senator Andrews: Given the Administration's policy of providing greater flexibility to State and local jurisdictions to plan and develop transportation programs and projects best suited to their individual needs, what do you believe UMTA could do to encourage them to undertake programs to spread working hours over longer time periods? What should UMTA do if an urban area would choose not to undertake programs to spread working hours even though there are benefits to be obtaines?

Response: The GAO Report to which you refer is entitled "Spreading Commuter Work Hours Could Reduce Transit Costs." We have completed a preliminary review of the report within UMTA.

UMTA agrees that the potential exists for transit properties to reduce vehicle and service requirements in areas where work hours result in a large peak transit demand. We further believe that our research, demonstration, and planning programs have fostered, and continue to foster an appropriate response to this issue. Local transit authorities have great incentive to initiate or participate in efforts to spread work hours, in view of reduced federal support for capital programs, as well as the programmed reduction of federal operating assistance.

UMTA has recognized the appropriateness of staggered or variable work hours in its research and demonstration programs, and in the Section 8 funded planning program. UMTA still emphasizes the institution of variable or staggered work hours as part of its national emphasis areas as a means to improve the efficiency of existing transit services. Technical assistance is available to local areas interested in implementing variable work hours programs.

In response to the recommendation that UMTA provide discretionary funds basd on local area participation in variable work hour programs, we believe that the leverage GAO seeks to have the UMTA place on local recipients is inconsistent with the Administration's policies of returning decisionmaking to local officials so that they may plan and develop transportation programs and projects best suited to local needs.

USE OF LIFTS BY SEMI-AMBULATORY PERSONS

Senator Andrews: Last year, the Architectural and Transportation Barriers Compliance Board testified that UMTA concurred in restricting the use of wheelchair lifts on buses by semi-ambulatory persons. What is UMTA's position on this issue? How many complaints has UMTA received in this area?

Response: UMTA believes that wheelchair lifts on buses are not inherently unsafe or unsuitable for semi-ambulatory persons. We recognize, however, that some semi-ambulatory persons may only be able to use lifts with difficulty, that others may not be able to use them at all, and, as a consequence, that there may be an element of risk associated with a semi-ambulatory person's use of a wheelchair lift. Thus, in one instance involving the Southeastern Pennsylvania Transportation Authority (SEPTA), UMTA concurred in SEPTA's restricting the use of wheelchair lifts to wheelchair users only. UMTA's concurrence in this practice was based, in part, on SEPTA's affirmative steps to provide accessible transportation to all non-ambulatory persons.

Since the complaint involving SEPTA was filed UMTA has received only one additional complaint concerning the use of wheelchair lifts by semi-ambulatory persons. That complaint was filed by the West Texas Association of Physically Handicapped Persons. UMTA's Region VI Office is currently investigating the complaint.

Although the Department's existing regulation concerning transportation for elderly and handicapped persons does not require UMTA recipients to purchase wheelchair lift equipped buses, this is one means of compliance with the rule. UMTA encourages recipients who select this option to evaluate the need to use these lifts by semi-ambulatory persons and to select design features that will accommodate their needs.

ESCALATOR MODIFICATION KIT

Senator Andrews: Has DOT brought to completion the Escalator Modification Kit? A member of the Architectural and Transportation Barriers Compliance Board testified last year that the second phase funding ($560,000) for construction of a prototype and testing was not made available. Please provide an update.

Response: This project, intended to develop and demonstrate an "escalator modification kit" as a low-cost means of providing elderly and handicapped access to fixed transit facilities, was first funded by UMTA in August of 1978. It was originally intended that there be three phases for the project: design, fabrication and demonstration/evaluation. Phase I was completed in early 1981, but because of an over-run, phase II funding had to be used to complete it. Based upon the information developed during the study, the decision was made that the project should not be continued.

INCREASING TRANSIT USE

Senator Andrews: To what extent can transit use be encouraged by the application of parking and/or commuter taxes? What has been the experience in localities such as the District of Columbia?

Response: Although several cities in the United States including Pittsburgh, San Francisco and Washington, D.C., have implemented parking taxes, the experience is rather limited. Further, only a few attempts have been made to evaluate their impacts on travel behavior in general, and on transit ridership in particular.

The limited evidence that has been analyzed suggests that the typical parking taxes (implemented across-the-board as a small percentage of parking facility revenues) have not measurably encouraged transit use. This has not come as a surprise to the transportation research community. It is long recognized that such across-the-board taxes have negligible impact on travel behavior -- particularly where taxes are relatively moderate. The commuters are insensitive to small price increases (on the order of $.25 to $.50 per day for typical parkers) implied by the existing parking taxes. Based

upon current mode choice models, however, it would appear that more substantial taxes could have an appreciable effect.

The experience with commuter taxes is even more limited than with parking taxes. Nevertheless, most knowledgeable transportation experts agree that the value of such taxes is largely to raise revenues. They have no measurable impact on travel behavior. Thus, while they are good sources of revenue, they are not viable policy instruments for encouraging travel in favor of high occupancy modes such as transit.

INCREASING TRANSIT USE

Senator Andrews: What studies has UMTA undertaken on methods to increase transit use?

Response: UMTA has undertaken a wide variety of research and demonstration projects to improve the reliability, area coverage and level of service of transit and paratransit operations. These attributes have a direct impact on transit patronage, and the results of UMTA sponsored projects have demonstrated a number of improvements which increase ridership.

Techniques include high occupancy vehicle priority on freeways and arterials, improvements to conventional transit service such as timed transfer service and traffic signal preemption by transit vehicles, fare and pricing improvements to attract ridership, parking management techniques to discourage single occupant autos, paratransit services such as taxi feeders to fixed route transit, demand responsive service for low density areas, and user subsidies to improve service to target groups such as elderly and handicapped persons.

COLD WEATHER TRANSIT TECHNOLOGY (CWTT)

Senator Andrews: UMTA has been contracting with Notre Dame University and Vought Corporation to develop ways for transit authorities to handle adverse conditions brought on by cold weather. Some of the ideas being examined are de-icing of bus wheel-housing, third rail de-icing and wayside heating. What is the status of this research?

Response: The present phase of the research program is scheduled to be completed by September 1983 with all final reports submitted by December 1983. Adequate funding has been provided to Notre Dame in the current program to complete the work identified in the grant statement of work.

Senator Andrews: Are any of the cold weather advances being used by any transit authorities? If so, which ones and if not, why?

Response: To date a bus wheel housing de-icing system has been installed on a bus operated in Lansing, Michigan. Additionally, a snow/ice separator system is under test on two Chicago Transit Authority rail vehicles. The recommendations resulting from the investigation of welded rail failures have been incorporated into a report and submitted to transit

authorities, as well as manufacturers. The MBTA in Boston has stated it will follow the recommendations. A third rail hydroblast de-icer was successfully tested in Boston this winter. New switch heaters at Niles, Michigan, and an insulated rail at MBTA are still in place and operating.

Senator Andrews: What are your estimates of the cost to transit authorities of installing the various cold weather systems?

Response: Thus far in the program only implementation cost estimates are available for the bus wheel housing de-icing system, which is expected to cost $3500 per vehicle.

Senator Andrews: How might cold weather transit technology address bus capital costs in cold regions, especially in terms of innovative warming technologies as opposed to construction of large garages?

Response: We have investigated compressed air starting techniques for buses stored outdoors in cold regions. Compressed air starters are available as standard units for transit buses and are used in 33 transit systems. A report covering the operational advantage of compressed air starters vs. electric starters will be disseminated to the transit industry during May 1983. Additional data will be collected to determine the cost-effectiveness of compressed air starters.

FARE/RIDERSHIP TRENDS

Senator Andrews: Please provide for the record a table showing transit fare increases and ridership levels in the ten largest cities for the last five years. Also include the total amount of Federal mass transit grants provided to each of the cities for each of the five years.

Response: See the attached table.

TRANSIT FARES, RIDERSHIP LEVELS, FEDERAL GRANTS
TEN LARGEST URBANIZED AREAS
FY 1978 THROUGH FY 1982

	1978	1979	1980	1981	1982
New York					
Base Fare (9-30)	50¢	50¢	60¢	60¢	75¢
Ridership (CT)	1,371.8	1,419.2	1,327.1	1,304.3	1,269.2
Capital Grants (FY)	310.4	370.3	550.4	596.8	515.5
Los Angeles					
Base Fare (9-30)	45¢	45¢	65¢	85¢	50¢
Ridership (CY)	325.1	338.3	388.1	383.0	366.5
Capital Grants (FY)	39.9	42.0	96.4	87.5	122.5
Chicago					
Base Fare (9-30)	50¢	50¢	60¢	90¢	90¢
Ridership (CY)	673.3	712.6	696.6	643.3	616.1
Capital Grants (FY)	87.5	133.7	190.1	226.9	232.8
Philadelphia					
Base Fare (9-30)	45¢	50¢	65¢	70¢	75¢
Ridership (CY)	318.6	333.9	330.3	286.4	324.1
Capital Grants (FY)	183.6	184.4	172.3	165.0	133.9
Detroit					
Base Fare (9-30)	50¢	50¢	60¢	75¢	$1.00
Ridership (CY)	63.4	59.0*	n/a	n/a	n/a
Capital Grants (FY)	22.5	31.8	23.4	29.7	34.5
San Francisco					
Base Fare (9-30)	25¢	25¢	50¢	50¢	60¢
Ridership (CY)	173.0	n/a	n/a	na/	n/a
Capital Grants (FY)	42.5	26.6	49.0	90.9	110.4
Washington					
Base Fare (9-30)	50¢	50¢	50¢	60¢	65¢
Ridership (CY)	159.2	261.4	284.5	275.6	266.3
Capital Grants (FY)	306.2	276.3	297.7	289.1	304.7
Boston					
Base Fare (9-30)	25¢	25¢	50¢/Rail 25¢/Bus	75¢/Rail 50¢/Bus	60¢/Rail 50¢/Bus
Ridership (CY)	n/a	214.5*	234.3*	216.4	206.4
Capital Grants (FY)	244.3	264.2	290.8	274.6	222.5
Dallas					
Base Fare (9-30)	40¢	60¢	60¢	65¢	70¢
Ridership (CY)	34.0	37.7	34.5	35.4	35.1
Capital Grants (FY)	8.2	6.4	12.0	10.8	2.5
Houston					
Base Fare (9-30)	40¢	40¢	40¢	40¢	40¢
Ridership (CY)	n/a	40.0	45.3	48.5	52.0
Capital Grants (FY)	22.6	-0-	34.3	4.1	-0-

*Fiscal Year

COMMUTER RAIL TRANSITION ASSISTANCE

Senator Andrews: As you know, this activity was set-up to assure that Conrail could get out of the commuter business and that local authorities could become more involved in the operation and provision of local commuter services. Please provide a table showing the amounts requested by each authority involved, the total amounts obligated to date and the amounts remaining for each authority?

Response:

	REQUESTED	AUTHORIZED	OBLIG.	REM
MMTA.ConnDOT	75.8M	59M	1.98M	57.02M
SEPTA	39 M	39M	39.00M	-0-
NJ Transit	33.5M	22M	22.00M	-0-
	148.3M	120M	62.98M	57.02M

In addition Maryland DOT requested $126,750 and Delaware DOT requested $20,000 in transition assistance. All of these funds have been obligated.

Senator Andrews: What is your assessment of the need for additional funds for this activity?

Response: Based on estimates provided by the transit agencies affected, the MTA in New York may require $16.8 million and NJ Transit $11.5 illion in additional funds for the transition.

Senator Andrews: Why does UMTA have the responsibility for this program?

Response: UMTA and FRA jointly administer this program. Since UMTA has a traditional grantor/grantee relationship with the transit agencies, the Secretary determined that UMTA would have the lead responsibility for this program.

CHICAGO RTA

Senator Andrews: As part of the Commuter Rail Transition Program, $25 million was appropriated for the Chicago RTA. How much of this money has been obligated to date?

Response: To date UMTA has obligated a total of $35 million for the Chicago RTA under the Commuter Rail Transition Program. We obligated $20 million in FY 1982 and $15 million in FY 1983.

STUDY ON IMPACTS OF FEDERAL OPERATING ASSISTANCE FOR TRANSIT

Senator Andrews: UMTA is working on a study to examine what the effects have been on the mass transit industry of the Formula Grant Program. A part of this study is to monitor impacts on local budgets, transit facilities and demand for

transit equipment. What are your findings so far? Have you examined also the effects of bus deregulation on local mass transit providers? When do you expect to complete the study?

Response: I believe that you are referring to an UMTA study on the Section 5 operating assistance program. This study has a number of components dealing with:

- The legislative history of Federal operating subsidies for mass transit,

- An evaluation of the effects of Federal operating subsidies for transit,

- The impacts of phasing out Federal operating subsidies for mass transit,

- A transit management diagnostic aid for improved cost-revenue performance, and

  The impacts of a Section 5 phase-out on the demand for UMTA capital assistance.

The study did not look at the effects of bus deregulation on local mass transit providers. However, the Office of the Secretary of Transportation is planning a study on the impacts of bus deregulation. This study will address the effects of bus deregulation on local mass transit systems.

Major findings to date for each component of this study which is expected to be completed in July 1983 are summarized as follows:

LEGISLATIVE HISTORY

- Enthusiasm for Federal operating subsidies was mixed from the beginning, and even those who voted in favor of the program often expressed reservations about the effectiveness of the subsidies. Many of these reservations proved to be valid.

- Sound studies have been provided all along the way, from the government and academia, outlining the pitfalls of Federal operating subsidies for transit. Inflation in labor costs and inefficiency were frequently highlighted.

- The initial legislation was enacted as an emergency, in the heat of the energy crisis. Many proponents claimed, or seemed to believe, that the need for operating subsidies was temporary and that once operating performance was improved, the subsidies could be phased out.

- Whatever the benefits claimed for transit operating subsidies, the achievement of these benefits depends on increasing ridership. However, Federal operating subsidies have had a very small impact on aggregate transit ridership. The legislative background does not mention or even hint that either increased compensation to transit labor or reduced productivity was desired or acceptable as costs of achieving other purposes.

EVALUATION OF FEDERAL OPERATING SUBSIDIES FOR TRANSIT

- Less than 30 percent of Federal operating subsidies end up as benefits to riders, in the form of lower fares and/or more trips.

- The remainder "leaks out" in the form of higher wages and prices, lower productivity, underutilized service and substitution for State and local subsidies (some of which eventually reaches riders and is included in the 30 percent figure).

IMPACTS OF THE PHASE-OUT

- A rich mix of studies has been conducted to date on the possible effects of a phase-out of Federal operating assistance. Assumptions vary considerably, but most studies support the idea that the majority of transit systems could cope with a phase-out of Federal operating subsidies.

- A "best guess" national estimate of the effects of the phase-out allowing for some improved product and some increase in non-Federal subsidy, is that ridership would decrease by 7 percent, fares would increase by 15 percent, non-Federal subsidies would increase by 6 percent, and service would increase by 7 percent. This estimate is based on a synthesis of the results of several studies on the subject.

- Smaller operators (1-25 vehicles) tend to be relatively more heavily dependent upon Federal subsidies, operate in markets where transit has no natural advantage, and produce service at a lower cost than in the large cities. Such operators are likely to exhibit larger percentage impacts from a subsidy phase-out than big city properties, are more likely to cease operations, and the impacts on their respective communities are likely to be less significant.

- Perhaps 30 percent of the smaller properties are "at risk" in the sense of needing to make major changes (fares, or service, or local subsidy) in order to stay in busines in fares, service, productivity or local subsidy.

TRANSIT MANAGEMENT DIAGNOSIS

- The potential for improved cost-revenue performance is large, if productivity and farebox cost recovery could be encouraged as transit management objectives.

- While there are clearly many improvements to be made in cost control and productivity, equally large gains could be made in designing fare structures that consider both costs and demand elasticity, and service design tuned to the market being served.

- A wealth of information is available from local properties and through the Section 15 reporting system that allows

transit properties to identify problem areas and compare performance with other operators.

- Many innovative strategies for improving performance and adapting to be a financially constrained environment are currently being undertaken by leading transit properties, and the capacity to implement a wide range of strategies is being demonstrated.

  The rate at which improvements are stimulated and diffused throughout the industry can be increased through UMTA technical assistance.

SECTION 5 PHASE-OUT AND THE DEMAND FOR UMTA CAPITAL ASSISTANCE

- Operating subsidies partially compensate for the tendency, stimulated by capital-only grants, to overcapitalize and undermaintain vehicles. The favorable effect is small, however, and the dominant effect of operating subsidies has been a decrease in overall productivity.

- If Federal operating subsidies are phased out, the demand for capital grants will be reduced slightly in the short run. In the longer term, at existing matching rates, there is likely to be too much demand for UMTA capital assistance.

PARATRANSIT POLICY

Senator Andrews: What is UMTA's current paratransit policy?

Response: UMTA published its Paratransit Policy Statement in the Federal Register on October 18, 1982. The policy recognizes paratransit services such as dial-a-ride, shared-ride taxi, jitney, subscription bus, van and carpool activities, and other shared-ride transportation available to the public as legitimate forms of mass transportation. The policy encourages localities to consider these services as options for meeting a variety of transportation needs in conjunction with conventional transit.

To the maximum extent feasible, UMTA encourages the development of paratransit services in the private sector either an an independent activity or through contractual relationships with public entities. However, the choice of service and service providers is properly a local decision. Therefore, publicly operated paratransit services as well as publicly contracted service with private operators are eligible for UMTA assistance, if needed.

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Senator Andrews: Does it encourage the provision of paratransit by cab companies?

Response: As I noted previously, the policy does encourage the provision of paratransit by the private sector including taxicab companies. While the taxi industry often represents an economical and widely available resource for providing certain paratransit services, UMTA does not favor any one mode or provider as the best means of providing paratransit. This determination is best left to local decisionmakers.

Senator Andrews: What service is suggested for those citizens who cannot use a cab because of motorized wheelchairs or difficulty transferring to an auto?

Response: There are a variety of public and private operators who provide paratransit services that can accommodate motorized wheelchairs. Among those operators are non-profit agencies, private chair-car operators and taxicab companies that operate special equipment such as lift equipped vans. Public transit authorities also operate specialized service and offer accessible lift equipped transit services in some communities.

Senator Andrews: What problems have arisen regarding 13(c) and providers of paratransit service?

Response: Section 13(c) agreements have imposed barriers to the development of paratransit services, particularly by private operators. Section 13(c) agreements have been developed that prevent private operator participation in federally assisted programs by reserving all paratransit jobs to the employees of the public transit operator. Other agreements establish prohibitions or limitations on where paratransit services may be implemented. Furthermore, public agencies are often reluctant to contract with private operators if they incur Section 13(c) responsibility for private operator employees beyond the term of the contract.

The Department of Transportation has discussed these issues with the Department of Labor, and we are hopeful that forthcoming guidelines on Section 13(c) will alleviate these problems.

UMTA STAFFING

Senator Andrews: Last year, UMTA was involved in appeals to the Merit Systems Protection Board as a result of the extensive reductions-in-force conducted during Fiscal Year 1982. Please summarize where these actions stand.

Response: Seventeen (17) RIFees appealed the legitimacy of UMTA's reduction-in-force and the handling of their individual situations in the RIF.

The Merit Systems Protection Board (MSPB) upheld the legitimacy of the entire UMTA RIF and of fifteen (15) of the individual cases.

MSPB found one separated GS-12 to be eligible for reduction in grade to a GS-4 typist position, and the RIF action was amended to place the employee in that position. The employee retains GS-12 grade and pay and is on the Agency's Repromotion Priority List (RPL).

Another separated employee (GS-14) was found by MSPB to be qualified for a GS-13 Contract Specialist job. That person was also reinstated, retains GS-14 grade and pay, and is on the RPL.

Sixteen (16) additional employees were downgraded at the time of the RIF.

Repromotions have occurred so that the current RPL contains the names of only the two (2) rehired employees and one (1) downgrade. The latter employee has been repromoted once, but has not yet been repromoted to her original grade.

Senator Andrews: Your personnel levels indicate a decrease in other-than-full-time-permanent staff. Where will these reductions be made, and which programs will be affected?

Response: To date, no final decision has been made on reductions in other-than-full-time-permanent (OTFTP) staff, although a determination on office ceilings will be made shortly. If reductions are imposed, the majority of the decreases will be directed at Headquarters offices and will only be imposed to meet UMTA's overall full-time equivalent ceiling.

If decreases become necessary, the reductions will be accomplished through normal attrition; i.e., current appointments are not being terminated before their completion date. In order for offices to reach their goals, they will be advised not to rehire OTFTP personnel upon termination of the assignments.

Although we rely heavily on the use of OTFTP personnel to augment our limited full-time staff, we do not anticipate an adverse effect upon programs because offices will be given time during the year to make necessary accommodations if their ceiling has been reduced.

GRANT MONITORING, GAO REPORT

Senator Andrews: GAO has repeatedly pointed out opportunities to reduce Federal capital expenditures for mass transit if UMTA would take a more active role in grant administration. UMTA's response has been that OMB Circular A-102 requires greater reliance be placed on grantees to manage the day-to-day operation of the grant supported activities and UMTA therefore, maintains a policy of limiting Federal involvement in the local decision making process. What discussions have been held with OMB regarding their Circular A-102 as it affects administration?; Do they contend also that this is the responsibility of the grantee?

Response: No. We have not held discussions with the OMB to request a waiver or change of the provisions of OMB Circular A-102, Attachment I, because we do not believe that a request for a waiver is warranted. OMB does not believe that the Federal Government should be involved in the day-to-day operations of the grantees.

Senator Andrews: While we recognize that OMB Circular requires reliance on local authorities:

Do you believe that UMTA's current requirements for quarterly progress reports, site visits, etc., provide the level of information needed for effective oversight of the capital grant program?

Response: Yes. Current UMTA requirements provide adequate information for effective oversight. We would point out that in addition to the OMB Circular A-102, Attachment I requirements, UMTA

obtains information about the grant recipient during the review of specifications, third-party contracts, change orders, requests for force account concurrence, cost allocation plans, budget revisions, land appraisals, audit resolutions, condemnation proceedings, meetings with grantee officials and many other day-to-day activities and contacts.

Senator Andrews: Do you believe UMTA has adequate staff to carry out the level of oversight envisioned by the above requirements (Attachment I of OMB Circular A-102)

Response: No. We do not have the level of staff to conduct the type of oversight GAO envisions. However, UMTA does not believe that such detailed monitoring style is the appropriate interpretation of the Attachment I requirements, nor is it necessary for effective Federal oversight of the capital program.

Senator Andrews: What actions do you believe are appropriate when routine oversight indicates that the grantee's day-to-day management of the grant is resulting in unnecessary expenditure of Federal money?

Response: In the event that routine oversight of the grant indicates that there are unnecessary Federal expenditures, UMTA has a range of actions from which it can select the appropriate one, based on the circumstances. Such actions include, but are not limited to, negotiations with the grantee in efforts to rectify the grantee's practices, the offer of technical assistance to ensure that the grantee has the technical capacity to carry out the project, such as reviewing the project in detail and making suggestions in the area of scoping, schedule development and control, monitoring of working progress and suggesting possible alternative control procedures, withholding of payment, termination of the contract, and the potential of UMTA's eventual refusal to make subsequent grants.

Senator Andrews: What steps have you taken to correct the problems cited in GAO's reports of December 22, 1982 "Need to Periodically Reassess Mass Transit Construction Projects", and of April 20, 1982, "Better Administration of Capital Grants Could Reduce Unnecessary Expenditures..."? What steps have you taken to improve the local authorities day-to-day management activities to prevent similar problems from arising in the future?

Response: We have developed policies which will be published shortly and have updated our project management guidelines which were published on March 17, 1983. We are developing guidance on the level of effort needed to carry out UMTA's different programs and activities such as building maintenance facilities, developing bus maintenance plans, land acquisition, vehicle and equipment purchases, and grantee project management plans. We are also offering technical assistance and workshops to insure that the grantees have the technical capacity to carry out the UMTA programs.

SELF-CERTIFICATION

Senator Andrews: To reduce the aministrative burden on local transit systems, UMTA is increasing its reliance on self-certification. This method allows transit systems to certify

that they are complying with certain administrative and legislative requirements without actually demonstrating compliance. UMTA uses self-certification in the areas of nondiscrimination on the basis of handicap, procurement, and maintenance capability, and has proposed its use in urban transportation planning. Are there additional areas where UMTA relies on or is considering relying on self-certification?

Response: Yes. Under Section 9A self certification will be utilized for the following requirements:

- Legal, Financial and technical capability
- Satisfactory continuing control
- Half-fare for elderly and handicapped
- Half-fare for persons with Medicare cards
- Program of Projects
- Local share-planning process-special efforts for elderly and handicapped persons
- Public comment process on fare and service change

PLANNING REGULATIONS

Senator Andrews: What is the status of the urban transportation planning rules proposed in August 1982?

Response: We expect that the final version of the urban transportation planning regulation will be signed by UMTA Administrator Teele within the week. It will be published in the Federal Register within two weeks of that date.

SELF-CERTIFICATION - GUIDANCE

Senator Andrews: When UMTA uses self-certification does it issue guidance to transit systems informing them of the performance standards they must meet?

Response: Yes. UMTA provides guidance through external circulars on specific subject areas. As a result of the new self-certifications enacted in STAA, several new circulars, including a project management circular are in preparation. Also, during the project development stage, our regional offices are in very close contact with the grantees.

SELF-CERTIFICATION - MONITORING AND BURDEN REDUCTION

Senator Andrews: What kind of monitoring does UMTA do to ensure transit systems are complying with UMTA standards?

Response: Each grantee is required to submit annually an independently conducted audit of financial trasactions and of performance and compliance with subject areas under self-certifications. Additionally, UMTA is required by the STAA to conduct a triennial audit and evaluation to ensure compliance with all program requirements.

Senator Andrews: Has UMTA learned whether self-certification does reduce local transit systems' administrative burdens?

Response: The self-certifications in the new Section 9 formula program procedures have only been in effect for four months. Therefore it is too early to see what the real impact on local administrative burden will be. However it is clear that the grant application process will be simpler and quicker.

University Research and Training (UR&T)

Senator Andrews: Please provide a detailed explanation of your fiscal year 1983 and prospective fiscal year 1984 university research and training program. Include a listing of universities which receive funding and in what amounts, and how UMTA determines that distribution. Since it has been represented to the subcommittee that Indiana University is uniquely qualified for a larger share of the research funding, please provide an assessment of its research capability relative to other universities designated as recipients in fiscal year 1983. How does UMTA monitor University research activities nationwide?

Response: The University Research and Training program involves an annual nationwide competition in which universities submit proposals for research to UMTA in response to an annual solicitation. For the fiscal years 1983 and 1984, topic areas proposed for research are developed by UMTA as well as from urban transportation constituencies. Topics are reviewed and selected for presentation in the UMTA-University Research and Training Annual Announcement. Grant applications are evaluated by a departmental team according to the following criteria:

- o relevance of the proposed research or training to the solution of important transportation problems, and support of the mission, programmatic needs and goals of the Urban Mass Transportation Administration;
- o professional merit of the proposed research or training;
- o professional qualifications of the Principal Investigator(s) and the supporting staff;
- o applicability of the research results to theory or practice; and
- o opportunities for participation of minorities and women.

The evaluations provide for a ranking of quality of applications from which recommendations for final award are developed.

A portion of the total funding is set aside for the University Centers for Transit Research and Management Development. Each Center receives, in this way, a guaranteed minimum amount, generally well in excess of the level provided to other universities.

Indiana University's research capabilities were a key factor in UMTA's designation of that institution as one of the eight University Centers for Transit Research and Management Development.

UMTA monitors university research activities primarily by the grant managers and technical monitors assigned to individual grantees. Products of university research are presented in public forums at UMTA and/or at the Annual Transportation Research Board Meeting held in Washington, D.C.

Recipients of University Research and Training funds through February 1983 are as follows:

Summary of Section 11 Grant Awards
Through February 1983

Alabama A&M University	$ 31,016
Atlanta University	943,144
Boston College	80,000
Boston University	94,966
Brown University	19,500
Calif. State Univ. - Chico	19,624
Calif. State Univ. - Long Beach	207,518
Carnegie-Mellon University	1,079,727
Cleveland State University	68,978
Clark College	120,705
CUNY-John Jay College	49,276
Univ. of Calif. - Berkeley	531,409
Univ. of Calif. - Irvine	568,566
Univ. of Calif. - Los Angeles	691,039
Univ. of Colorado - Denver	272,850
Univ. of Connecticut	69,973
Dartmouth College	73,500
Duke University	60,000
Univ. of Dayton	87,090
Univ. of District of Columbia	144,064
Edward Waters College	49,998
Florida Memorial College	79,812
Florida State University	478,691
George Washington University	69,576
Georgia Institute of Technology	125,000
Univ. of Georgia	74,751
Hampton Institute	53,218
Harvard University	359,549
Howard University	551,924
Univ. of Hawaii	103,804
Univ. of Houston	21,087
Illinois Institute of Technology	175,400
Indiana University	208,046
Iowa State University	49,131
Univ. of Illinois - Chicago	1,628,342
Univ. of Illinois - Urbana - Champaign	105,925
Univ. of Iowa	618,427
Johns Hopkins University	82,710
Kansas State University	69,729
Univ. of Kansas	64,680
University of Kentucky	134,086
Manhattan College	25,000
Marquette University	210,000
Mass. Institute of Technology	1,452,563
Morgan State University	64,623
Univ. of Maryland	111,699

Univ. of Mass. - Amherst	84,585
Univ. of Miami	53,799
Univ. of Michigan	88,500
Univ. of Minnesota	516,028
Univ. of Mississippi	18,831
Univ. of Missouri - Rolla	75,000
Univ. of Missouri - St. Louis	142,884
New Jersey Institute of Technology	360,440
New York Institute of Technology	45,503
North Carolina A&T State University	1,477,641
Northeastern University	284,000
Northern Arizona	201,204
Northwestern University	1,043,154
Univ. of Nebraska - Lincoln	57,315
Univ. of Nebraska - Omaha	40,960
Univ. of North Carolina - Chapel Hill	193,937
Ohio State University	288,601
Univ. of Oklahoma	256,648
Pan American University	107,850
Pennsylvania State University	479,617
Polytechnic Institute of New York	1,902,580
Portland State University	45,909
Prairie View A&M University	51,850
Pratt Institute	49,875
Princeton University	705,734
Purdue University	423,917
Univ. of Pennsylvania	1,056,391
Univ. of Pittsburgh	208,000
Univ. of Puerto Rico - Mayaguez	184,879
Rice Center	468,005
Rensselaer Polytechnic Institute	147,671
Rutgers University	141,533
Southern University - Baton Rouge	540,000
Stanford University	446,355
Syracuse University	565,478
SUNY - Albany	49,099
SUNY - Buffalo	486,469
SUNY - Stony Brook	107,158
Univ. of South Carolina	315,465
Univ. of Southern Califonia	68,543
Tennessee State University	56,152
Texas A&M University	84,444
Texas Southern University	122,662
Tufts University	52,960
Tulane University	90,000
Tuskegee Institute	39,145
Univ. of Tennessee - Knoxville	318,157
Univ. of Texas - Arlington	259,218
Univ. of Texas - Austin	175,354
Univ. of Utah	118,539
Virginia Polytechnic Institute	285,141
Virginia Union University	67,492
Univ. of Virginia	322,141
Wayne State University	189,522
West Virginia University	460,975
Univ. of Washington	1,672,281
Univ. of Wisconsin - Madison	282,956
Univ. of Wisconsin - Milwaukee	334,361
Consortium of Washington, D.C. Universities	562,500

Question Submitted by Senator Kasten

MILWAUKEE-ALTERNATIVE ANALYSIS

Senator Kasten: In last year's Transportation Appropriation bill, Congress directed the Urban Mass Transportation Administration to spend $1.6 million for an alternative analysis study of transit alternatives in the Milwaukee, Wisconsin metropolitan area. To date, Milwaukkee County has not received any indication from UMTA that funds will be released. Since State and local funds are contingent upon this UMTA grant, it is important that this money be made available as soon as possible. What is the status of the $1.6 million? Whate are the reasons for the delays?

Response: UMTA has reserved funds for the Milwaukee Alternatives Analysis but has not yet released them. Milwaukee has not requested the full $1.6 million since that sum was to fund not only the alternatives analysis but also preliminary engineering.

UMTA has been working with the staff of the Southeastern Wisconsin Regional Planning Commission in order to finalize the work scope of this study. In addition, an UMTA sponsored alternatives analysis training seminar has been scheduled for the last week in April for the Milwaukee area staff. We anticipate reaching an agreement on the work plan during this quarter.

Questions Submitted by Senator D'Amato

WMATA REQUEST

Senator D'Amato: Mr. Teele, I understand that since October of last year, UMTA has had under consideration a capital grant application from WMATA for the first increment of a three-year railcar reliability improvement program. This program includes the purchase of a $7 million improved braking system manufactured by the New York Air Brake Company of Watertown, New York. This system will reduce Metrorail's maintenance costs $2.4 million a year.

Mr. Teele, this appears to be an excellent candidate for the new Section 9A program. Not only will it have an immediate job impact in Watertown, New York--which is currently a job distressed area---but it will result in significant operating cost savings to WMATA. This program has been subject to almost a six month delay. When can we expect UMTA approval?

Response: We agree that Metro's rail reliability program is appropriate for funding under the Section 9(a)program. WMATA has submitted an application for Section 9(a) funds and we anticipate approval of the grant within the coming month.

ANTI-DEFICIENCY FOR FY '82

Senator D'Amato: Mr. Teele, in last year's testimony you reviewed the problems with anti-deficiency in FY '79, and reported that there was a possibility of the same problem in FY '82. What was the outcome of your investigation into the allegations that such a problem was occuring within your agency?

Response: The 1979 violation occurred because of a break-down in the agency's management and accounting control system, thereby making ineffective the procedures employed to administratively control funds. As a remedy, UMTA is presently engaged in the design, development and implementation of a new financial management system. The project contemplates the establishment of financial and administrative controls together with the furnishing of correct, timely and total information to assist UMTA management officials in the effective, efficient and proper use of agency resources. Improvements also contemplate timeliness, integrity and propriety in terms of detail records and external reporting requirements. It is expected that the baseline system will be operational by December 31, 1983 (during the first quarter of FY 1984). Consequently, the new system will be timely and correct; will reflect totality and integrity of records; and will provide for administrative control of funds.

To the best of our knowledge, the conditions existing with respect to the 1979 violation were not present during FY 1982. No funds are being withheld in contemplation of any future administrative or program anti-deficiencies. While we indeed have concerns with respect to current data clean-up and conversion efforts applied to existing program records, with respect to the new financial management system endeavor, any anti-deficiencies (if discovered) would be addressed from the concerned program area (source of funds) which it is felt would be appropriate and in order.

INTERSTATE TRANSFER-TRANSIT

Senator D'Amato: Mr. Teele, are you aware of localities that will have problems with the 1983 and 1986 deadlines that currently apply to the Interstate Transfer provisions?

Response: We are not aware of any problems in complying with the 1983 and 1986 deadlines. We are currently working closely with the states to meet the deadlines. In addition, Section 107(g) of the STAA of 1982 significantly reduced the restrictions on the deadline for construction.

Senator D'Amato: What factors is the Secretary contemplating to use in distributing Interstate transfer funds under the new Act? I am referring to the new Interstate distribution formula that is 50% Secretary's discretion/50% cost estimates?

Response: we will allocate funds under the Secretary's discretion to projects on the following basis:

(a) First, projects already under construction will be funded at a level sufficient to maintain construction schedules until completion.

(b) Next we will consider projects which are defined but not under construction or not in progress (for example, vehicle purchases), and for which the grantee has the financial capacity to complete with Interstate, Section 9 and local funds, without dependence on UMTA's Section 3 program.

(c) Last, w will consider all other projects to the extent of a ailable funding.

Senator D'Amato: Given the current listing of approved transfers and the authorizations ceiling for Interstate Transfer-Transit projects, when will DOT be able to complete funding the list of projects?

Response: All Interstate substitution projects based on current withdrawals would be funded by the end of 1988. This assumes that funding levels in FY 1987 and FY 1988 are consistent with the FY 1986 level and that approximately one third of the substitute projects will be transit.

EMERGENCY STOCKPILING

Senator D'Amato: Mr. Teele, last year I asked several questions about emergency stockpiling of buses, and I am frankly shocked at the responses you have provided. It is policy, as promulgated by your agency, that has fostered the rather extensive practice of emergency stockpiling, yet you tell us that you do not know how many buses are in this category, and that you have no means of determining whether in fact the stockpiled vehicles are in operating order. You do, however, hazard a guess that there are "thousands" of buses in this category, many of which have direct federal funding involved, or which could be sold as used or scrap vehicles, the proceeds of which could then be applied to new vehicle purchases or returned to the treasury. I do not find that the mere disclaimer that "UMTA has no formula bus stockpiling program" to be sufficient. I would like you to report fully to this subcommittee within 60 days on the status of stockpiled vehicles, and whether not they are of any real value as part of our national energy preparedness policy.

Response: We share your concern about this issue. Therefore, we are in the process of initiating a careful review of the current status of stockpiling and our policy on it. A competative procurement process is now underway with work on the project expected to begin around July 1 to be completed January 1, 1984. We will share results of this study with you as soon as they are available. Nonetheless, we believe stock- piling to be a relatively cost-effective energy emergency preparedness measure when supported by clear local decision-making. We will use the results of the study to ensure that such local decision-making is effective and executed in such a way that the Federal interest is upheld.

SECTION 18

Senator D'Amato: What is the current total, by State, of unobligated apportionments?

Response: As of March 31, 1983 there is a total unobligated apportionment of $134,959,397. Of this amount, $68,500,000 was made available for FY 83 on March 22, 1983. Attached is the unobligated balances by States.

Senator D'Amato: Do you have any plans to address this problem as UMTA takes over direct administration of the Section 18 program?

Response: UMTA will streamline the grant-making process so that the turn-around delivery time of grant approval to the States will be considerably faster. Additionally, the notice of apportionment to the States of Section 18 funds for a fiscal year will be provided at a earlier date. Also, with the reduction in paperwork required for grant approval and the reduced time from four years to three years that the apportioned funds will be available, it is anticipated that the States will obligate Section 18 funds at an accelerated rate.

SANTA BARBARA--ROADWAY ELECTRIC BUS

Senator D'Amato: Both the House and Senate Reports on last year's DOT Appropriation contained explicit language allocating $1.3 million of your research budget -- under "bus and paratransit" -- for a roadway electric bus technology project in Santa Barbara. My distinguished colleagues from California, Mr. Wilson and Mr. Cranston, have advised me that they have attempted to learn why you have yet to release these funds to the Santa Barbara Transit System. Possibly due to their interest, I have been advised that your staff has authorized the release of the funding. My question, Mr. Teele, is when will the funds be released -- again, not authorized to be released -- but actually placed into the hands of the transit system?

Response: The funds will be released to the transit system no later than mid-May 1983.

LONG-TERM LEVERAGE FINANCING STUDY

Senator D'Amato: When do you expect completion and release of the Section 315 study (study of long-term leverage financing)?

Response: The study is underway and we expect it to be completed and submitted to Congress in early July.

Questions Submitted by Senator Chiles

NEW RAIL STARTS -- JACKSONVILLE PEOPLE MOVER

Senator Chiles: I noticed in one of your draft statements that new rail start projects that are determined to be cost effective and that have strong local commitment would be given favorable consideration. You also state that with regard to new rail starts preference would be given to rapidly growing cities. Your final statement that is before us today states that the Department will consider new starts on a case-by-case basis.

As you know, the City of Jacksonville has a strong interest in developing a people mover system that would connect the downtown business area with a convention center.

Mr. Teele, are you familiar with the Jacksonville proposal?

What is your view of this proposal? Does it meet the general criteria discussed in your statement?

Respose: Before I answer your questions I would like to clarify a point. UMTA does not give preference to rapidly growing cities as such. We do, however, consider the future and existing transportation needs of an area when making decisions on major investments.

Yes, I am quite familiar with the Jacksonville proposal. I feel that it is an appropriate means of serving the special needs of Jacksonville's downtwon and should result in increased CBD circulation, and decreases in bus operating costs and parking requirements. I cannot at this time say whether its costs justify its benefits, especially when compared with other new start projects competing for our limited funds.

COUNTY METRORAIL--CONSTRUCTION PROBLEMS

Completely fill the space from line to line

Senator Chiles: Mr. Teele, as you know, the Miami Herald has carried a number of stories about a U.S. Department of Transportation Inspector General investigation into construction techniques used along as much as 1/3 of the 20.5 mile Metro Dade Rail System.

The preliminary findings of the IG are that concrete pouring and structural steel placements may have been performed in a manner to have a negative impact on safety.

Mr. Teele, I understand that you have a review underway on this matter. What can you tell us at this point as to the adequacy of construction techniques used in Miami on the Metro Dade Rail System?

Response: As you know, the IG's investigation revealed specific contract compliance deficiencies on construction work performed by a Metrorail contractor. These were preliminary findings, whose potential seriousness pointed to a need to pursue a more in-depth review. At the request of the IG, UMTA has initiated such a review using a special study team from the U.S. Transportation Systems Center (TSC) as well as its own professional engineers supplemented by technical assistance from FHWA and the IG. In addition, TSC has engaged the services of nationally known consulting firms (Charles T. Main Associates, Boston; Sverdrup and Parcel, St. Louis; and the Portland Cement Association, Skokie, Illinois) experienced in construction management and reinforced concrete design, construction practices, and testing. They have been tasked by the Urban Mass Transportation Administration to assess the quality of construction. Since the review is still underway, a report of findings has not yet been developed. We cannot comment on the adequacy of construction techniques as you request until such time as a full assessment of the situation has been made. Once all affected parties have had an opportunity to review the preliminary report, a final report will be issued. At that time we will be happy to provide copies of the report to you and brief you on its contents. The final report will also be available to the public.

TAMPA TRAIN STATION -- LETTER OF INTENT

Senator Chiles: Mr. Teele, as you know, language was included in the Conference Report which accompanied the regular 1983 Appropriations Bill directing that not less than $2 million of UMTA Section 3 funds be made available to renovate the intermodal terminal in Tampa.

What is the status of funding for that project?

Response: Tampa will not be in a position to submit an application this fiscal year. On April 13, 1983 UMTA issued letters to Appropriation Committee members advising that an LOI in the amount of $2.0 million will be given to Tampa for FY 84 funding.

MAINTENANCE PROBLEMS IN THE TRANSIT INDUSTRY

Senator Chiles: Mr. Teele, you mentioned that in spite of many years of UMTA funding for operating assistance the status of maintenance in the bus industry has declined and that is primarily because of a lack of commitment from top management down to accomplishing the traditional tasks required for effective maintenance.

a. Is there evidence to suggest that the problem is related to the UMTA capital program, not the operating assistance program, and that transit authorities merely accept new UMTA equipment instead of maintaining old equipment?

b. What is UMTA doing to encourage more bus rehabilitation and bus maintenance efforts by local transit authorities?

Response:

a. There is no evidence to suggest that the decline in maintenance status in the bus industry is related to the UMTA capital program. We generally agree that as local budgets become more constrained, transit operators may tend to defer equipment maintenance but this is a problem that must be addressed by local management to make certain that their priorities are not misdirected.

b. UMTA has made funding available to grantees for rehabilitation of buses as an alternative to the purchase of new vehicles, with the final decision in this matter resting at the local level.

The implementation by UMTA of the changes in the Federal Public Transportation Act of 1982 relative to maintenance capability together with annual audits and triennial reviews of grantee certification and maintenance plans should result in a marked improvement in the maintenance picture nationwide.

UMTA Funded University Transit Research Centers

Senator Chiles: Mr. Teele, as you know, Senator Proxmire wrote to you last February with regard to the UMTA University Research Program. Senator Proxmire raised the question as to what criteria were used to select these University Transit Research Centers and why there was no formally announced competition. Apparently, a number of universities that do have transit research backgrounds were never contacted.

Mr. Teele, what can you tell the Committee about your University Research Program? Which schools have been selected, what selection criteria were used, how big is the program in 1984, and what do you expect to accomplish through the program in 1984?

Response: The creation in 1982 of the University Centers for Transit Research and Management Development within UMTA's University Research and Training Program was in response to expressed Congressional concern for the transit industry's vital need for middle management training, and in order to eliminate unnecessary duplication of efforts by selecting a limited number of institutions to serve as focal points for transit research and training activities. In developing the Centers concept, UMTA staff drew upon both academic and industry resources.

The Centers' first year plans are finalized and each of the eight universities selected has been awarded $125,000 of FY 1983 Section 11(a) funds to conduct those activities. The eight grants are task oriented within the Centers' broad mandate to provide strong and contributive programs of value to public transportation. The Centers' activities include development of continuing education courses in management and operations issues for transit officials, professional certification programs which might be approved by and would be transferable within the industry, and undergraduate and graduate programs which are responsive to transit management needs. Research projects will address technical and operational problems of the transit industry and will provide timely results to help resolve those difficulties.

Each Center's program is reflective of that institution's strengths and goals, and as such is unique. As a group, however, the Centers constitute a pooling of UMTA resources to support a cohesive national initiative involving the academic and transit communities in the improvement of urban public transportation services.

The Centers are:

University of California at Irvine
Florida A&M University
Indiana University at Bloomington
University of Michigan
New York Institute of Technology
University of Pennsylvania - The Wharton School
Portland State University
Texas Southern University

The selection criteria for the Centers included geographical location, past association with the UMTA University Research and Training Program, potential for development of the program in new areas, and involvement of minority institutions.

Funding for the Centers in FY 1984 is currently projected at $1,000,000, collectively.

In addition, UMTA has designated four associated Universities which are funded on a separate basis. These are:

Notre Dame University
Howard University
The University of the District of Columbia
Rice Center

UMTA believes that by utilizing the unique resources within the academic community, the Centers will be responsive to the training, operational and technological needs of the nation's public transportation systems and that the Centers, by undertaking a combination of research projects, training programs and information dissemination activities, will contribute to more effective utilization of technical and human resources within the transit industry by developing a cadre of competent, well-trained transit professionals.

RADIO COMMUNICATIONS WITH BUS FLEETS

Senator Chiles: Mr. Teele, at the Jacksonville Transit Authority's (JTA) new bus maintenance facility a radio communication system permits headquarters to monitor 6 vital engine functions of all buses on the road as well as maintaining radio contact with the buses. The vital functions include engine temperature, oil level and oil pressure. When a warning light goes on in the bus the same information is available at JTA headquarters, so if the bus driver has missed the warning, the headquarters monitor can intervene and the driver warned or asked to pull over to the side of the road.

I understand that the Jacksonville system would cost approximately $3 million if installed today.

Does UMTA routinely fund radio systems such as the one installed at the JTA headquarters?

Do you consider such systems as cost effective?

Response: UMTA does not routinely fund radio communications systems which monitor vital engine functions such as the one installed in the Jacksonville Transit Authority. Funding requests for these systems are reviewed on a case by case basis since the cost effectiveness and benefits are site specific. Quality of the drivers (training, turnover, etc.), type of buses, bus route conditions, and maintenance facilities affect the cost-effectiveness of the bus radio-monitoring system.

In the proper application, the bus radio-monitoring system provides better bus reliability and lower life cycle costs. Problems are detected before they result in major equipment failures preventing extensive bus downtimes and repair costs.

LETTER TO SENATOR PROXMIRE--REQUEST FOR ADVICE ON MILWAUKEE GRANT APPLICATION

Senator Chiles: On March 15, 1983, you wrote Senator Proxmire indicating that you had received a copy of a document entitled, Primary Transit System Plan for the Milwaukee Area. You also informed Senator Proxmire that you had received a grant application from the Southeastern Wisconsin Regional Planning Commission pursuant to the Transit Plan for the Milwaukee area. With regard to the grant application, Senator Proxmire was asked for his "input regarding to the appropriate UMTA response".

Mr. Teele, do you routinely request input from members of Congress regarding grant applications?

Isn't UMTA more capable of making the technical analysis on these grant applications than a member's office?

Response: No, this is not our normal procedure. In this particular case, Congressman Zablocki and Congressman Obey specifically asked to review this report when it became available to UMTA. In complying with this request, as a courtesy, we sent the report to the entire Wisconsin delegation.

ALLOCATION OF FY 1983 STAA FUNDS

Senator Chiles: Please describe for the Committee the missing allocation data and the likelihood that this information can be obtained in the near future. Does UMTA expect this to be a continuing problem with regard to each year's allocation of 9 funds or is the problem unique to this year?

Response: The STAA provided that certain vehicle and route mile data not previously reported under Section 15 procedures be included in the apportionment calculations. This required data, in four specific categories, has now been received. The transit industry has generally been responsive in submitting Section 15 data.

This data has been collected and is now being validated. It will be used in the final apportionment, to be published before July 1, 1983.

The problem of missing data is unique to this year, since the legislative formula called for data not previously reported to UMTA. We do not expect missing data to be a problem in the future, now that operators are aware of the importance of reporting.

INTERSTATE TRANSFER GRANTS -- TRANSIT

Senator Chiles: UMTA has requested $380 million for Interstate Transfer Grants - Transit, and under the new requirements of the STAA Act, 50% will be distributed in proportion to a congressionally approved estimate of the cost to complete the proposed substitute transit projects. When will UMTA submit the cost to complete data for congressional approval?

What is the estimated dollar value and number of transit projects eligible for funding under this program?

Response: The procedures for preparing the cost estimates of completing substitute transit and highway projects have been developed jointly by UMTA and FHWA. In accordance with our current schedule we expect the report to be transmitted to Congress in July 1983. A more accurate estimate of needed transit funding will be available from the cost estimates. In addition, the concept programs, being developed by the State and local officials, to comply with the September 30, 1983 deadline will provide more details on the individual transit projects.

SERVICES FOR THE HANDICAPPED

Senator Chiles: Section 317 of the Surface Transportation Assistance Act of 1982 (Pub. L. No. 97-424) requires the Department to publish, within 90 days of the law's enactment, a proposed rule establishing: (1) minimum criteria for the provision of transportation services to elderly and handicapped persons; and (2) procedures for monitoring compliance with the criteria. Considering the current status of transportation services available for elderly and handicapped persons, what percentage of the transit systems in this country are already complying with the new criteria and what additional funds do you believe are necessary for the other systems to achieve compliance?

Response: On April 18, 1983, the Department sent copies of the proposed regulation to the Department of Justice and the Office of Management and Budget for review under Executive Orders 12250 and 12291, respectively. These agencies must approve the proposed rule before the Department can publish it in the Federal Register. Since the proposed rule has not yet been published, I am unable to discuss any of its provisions relating to the criteria proposed, to monitoring compliance, or to enforcement. UMTA's monitoring and enforcement of the new regulation will begin once the rule becomes effective.

Since the rule required by section 317 is not finalized, it is not possible to determine what percentage of current services for elderly and handicapped would comply with the new requirements. Similarly, it is not possible to calculate the additional funds that would be needed to bring all transit systems into compliance.

NEED FOR NEW TRANSPORTATION FACILITIES

Senator Chiles: The new Census Bureau estimates indicate that the U.S. population grew nearly five million, or 2.2 percent, between 1980 and 1982. 2.8 million of this increase was in the South, 1.8 million in the West and only 328 thousand elsewhere. These new people, most of whom live in urban areas, create tremendous demands for new transportation facilities of all kinds--public transit, highways, bridges, airports, etc. However, the Surface Transportation Assistance Act of 1982 (P.L. 97-424) is directed primarily at maintaining and reconstructing the facilities now in place. The need for new transportation systems is largely ignored except for the Interstate System. This is great for states with stable or declining population, but for many States, like California, Florida and Texas it is not acceptable. States like Florida simply do not have the resources to build new transportation capacity fast enough to keep up with the population and at the same time reconstruct and maintain the existing facilities.

In the years ahead how would you propose to balance the needs of the growing States in the South and West for new transportation facilities and capacity with the needs of most of the other States primarily for reconstruction and rehabilitation of existing facilities?

Response: We do our best to balance the needs of all regions of the country while pursuing cost-effective and timely investment opportunities with limited public transportation resources. We are emphasizing investment in existing systems motivated by our desire to offset years of deferred investment that has reduced the ability of transit systems to perform optimally in areas of proven transit demand. Such investments reduce the rate of decline in transit usage.

In the current period we are seeing new opportunities for investments in the South, Southwest and West. We are assessing these opportunities on a case-by-case basis in terms of their cost effectiveness. We are also looking at the nature of local support for these projects. It would hardly be appropriate for the Federal government to be more eager to invest in a local project than the community which the project is designed to benefit. Last we consider the amount of Minority Business Enterprise participation, local community support, and private sector support.

Senator Chiles: Do you feel that we may be tilting too far toward work on existing facilities and ignoring the needs of many of the States with growing populations for new transportation systems?

Response: Evidence from the 1977 National Personal Transportation Study indicated that among residents of Standard Metropolitan Statistical Areas (SMSA's), there had been no change from 1969 in the proportion who had transit within walking distance of their homes (two blocks or one-quarter mile). The number of route miles supplied by transit increased 50 percent from 1970 to 1980. Fort Lauderdale experienced an 85 percent increase in transit ridership during the 1970's; Los Angeles-Long Beach, California was up 52 percent; Atlanta, Georgia was up 30 percent. These basic trends occurred while massive shifts of population were taking place in the direction of the Sunbelt cities.

A review of our major existing new starts projects indicates that many of them exist in the growing areas of the country such as Miami and Atlanta. New Starts currently under active consideration are in such growing areas as Los Angeles, Houston, and San Jose. Also, since bus transit tends to be appropriate in the Southern and Western cities, partly due to less densely settled corridors, we have helped bus systems expand to meet new demand. In all, there were 285 UMTA capital projects in California from 1965 to 1981, 114 in Texas, and 81 in Florida. These numbers are higher than those in New York, Pennsylvania and Massachusetts. Considering the differences in ridership levels in these states, such discrepancies do not suggest a significant tilt toward one region.

LETTERS OF NO PREJUDICE

Senator Chiles: There are a number of Letters of No Prejudice (LONP) which the Urban Mass Transportation Administration has issued over the years to permit qualified

recipients of Federal transit funds to proceed with projects using their own money with the expectation that the Federal share of these projects costs would be reimbursed by the Federal Government. It is my understanding that about $465 million in Letters of No Prejudice are outstanding for construction on the MARTA System in Atlanta alone.

What is the Federal share of the total outstanding Letters of No Prejudice which UMTA has issued to date?

Would you provide a list by state and locality of these outstanding Letters of No Prejudice?

Since the Federal share of projects covered by Letters of No Prejudice must be paid off at some future date, what plan do you have for liquidating these obligations?

What does this Committee need to do to insure that outstanding Letters of No Prejudice are retired systematically and within a reasonable period of time?

Response: The potential Federal share of outstanding LONP's is $716,054,061. The requested list of LONP's is attached.

LONP's do not represent an obligation to the Federal Government, however, they do extend the eligibility of projects for future Federal funding and increase the flexibility of local decisionmakers. Projects covered by LONP's will be funded in accordance with UMTA's prioritization of eligible projects.

Since LONP's do not represent an obligation to the Federal Government, no action is required by the Committee to insure that outstanding LONP's are retired in a systematic manner or within reasonable time frame.

Outstanding Letters of No Prejudice
Category A

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount ($)	Remaining Balance ($)	Region
NY-XX-XXXX	MTA	900 Axles, 1800 wheels, 1175 bearings	12/2/82	9/30/83	8,000,000	8,000,000	2
				SUBTOTAL		8,000,000	

Category C-1

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount ($)	Remaining Balance ($)	Region
CO-XX-XXX	Denver	Land Acquisition (bus facility)	5/4/79	----------	1,500,000	1,500,000	8
NJ-05-0002	NJTC	1165 transit buses	8/15/79	----------	120,000,000	17,910,853	2
MA-03-0099 MA-23-9012	MBTA	Rehabilitation of 32 Budd RDC cars	5/28/82	9/30/84	10,061,502	10,061,502	1
NJ-05-0033	NJTC	Purchase Buses and Bus Facility Improvements	9/23/82	9/30/84	100,000,000	100,000,000	2
NY-XX-XXXX	NASSAU Co. Plng Comm.	34 Buses	12/16/82	11/30/84	5,400,000	5,400,000	2
				SUBTOTAL		134,872,355	

Category C-2

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount ($)	Remaining Balance ($)	Region
PA-03-0107 PA-05-0029	PENNDOT	648 advanced design buses	9/28/81	8/31/83	82,000,000	43,025,000	3
NJ-05-0008	NJTC	Renovation of bus facilities and support equipment	11/9/81	9/30/83	11,600,000	839,212	2
MD-03-0028	MDOT	Purchase 10 rail coaches and 3 locomotives	8/23/82	9/30/83	6,160,000	6,160,000	3
CA-03-0022	MUCI/PUC	Cable car Reconstr. (L.O.I.)	8/31/82	9/30/84	25,069,600	12,569,600	9
TX-03-0076	Houston	100 40-Foot Buses	12/15/82	9/30/84	15,142,480	15,142,480	6
OH-03-0081 (OH-05-0065)	RTA	Purchase Office Space	12/15/82	9/30/83	1,422,690	1,422,690	5
NJ-03-0014	NJDOT	Re-electrification Erie Lackawanna RR	12/27/82	9/30/84	28,000,000	28,000,000	2
IT-23-9007	WMATA	72 fare collection units	12/29/82	12/31/83	4,500,000	4,500,000	3
IT-23-9006	WMATA	General	12/29/82	9/30/83	20,800,000	20,800,000	3
PR-03-0019	PRDOT	Aqua Guaqua, R.O.W. Clearing	12/30/82	9/30/84	1,200,000	1,200,000	4
TX-03-0081	DTS	Engr. Design of NW Div Garage	2/7/83	2/2/85	408,000	408,000	6
NJ-16-0007	NJTC	E&H Vehicles	3/9/83	8/1/84	661,000	661,000	2
GA-06-0017	MARTA	Free Ride Day	12/15/82	9/30/85	76,000	76,000	4
				SUBTOTAL		134,803,982	

Category D-2

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount ($)	Remaining Balance ($)	Region
GA-03-0008	MARTA	Design: Airport Station Phase C	8/22/78	----------	1,088,000	1,088,000	4
GA-03-0008	MARTA	20 rail cars Phase B	8/24/78	----------	11,552,112	11,552,112	4
GA-03-0023	MARTA	Construction: Airport Station Phase C	5/30/79	----------	6,564,800	6,564,800	4
GA-03-0023	MARTA	Construction Readiness: Phase B-2	11/25/80	9/30/85	19,975,762	19,975,762	4
GA-03-0023	MARTA	Completion	12/15/80	9/30/85	381,625,812	356,473,050	4
IT-23-9007 -5	WMATA	B Route Construction Forest Glen-Wheaton	3/10/83	9/30/83	18,800,000	18,800,000	3
				SUBTOTAL		414,453,724	

Category D-3

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount ($)	Remaining Balance $)	Region
TX-03-0063	Houston Transit	Southwest Project	12/21/81	12/30/85	24,000,000	24,000,000	6
				SUBTOTAL		24,000,000	

Completely BID-RIGGING from line to line
[illegible] and top to bottom

Senator Chiles: What has the UMTA done to avoid the bid-rigging problems uncovered in the highway and airport construction programs?

Response: THE DOT IG office has been recently reviewing the UMTA grantee's construction contracts. To date, I don't know of any irregularities indicating bid-rigging such as those found under the highway and construction projects.

Senator Chiles: Is there any evidence of bid-rigging, or any other illegal activity on the part of contractors on transit construction projects?

Response: Not to my knowledge. We have no evidence to suggest that any improprieties of this type have occurred, nor has the Inspector General brought any such evidence to our attention.

MBE PROGRAM IMPLEMENTATION

Senator Chiles: Would you describe the UMTA MBE Program and how it works?

Response: UMTA implements its MBE responsibilities as a part of the Department's MBE Program since the regulation (49 C.F.R. Part 23) was issued by the Office of the Secretary. The Departmental regulation provides the Operating Administrations, such as UMTA, with specific responsibilities to ensure that grantees are in compliance with MBE program requirements. UMTA is responsible for reviewing and evaluating MBE plans submitted by grantees to ensure that they reflect MBE goals and good faith efforts in acquiring MPE participation in UMTA funded projects.

MINORITY BUSINESS PARTICIPATION

Senator Chiles: How effective has it been in terms of both the numbers of minority contractors involved, the size of contracts, and the type of work?

Response: UMTA has significantly increased minority business participation in both internal and external procurement activities. In FY 1981, UMTA's internal procurement activities awarded approximately $2.8 million to minority businesses or 12 percent of all internal contract awards. UMTA, in FY 1982, exceeded its 20 percent goal for direct minority procurements with a total of over $6.3 million. For external UMTA funded projects, our regional civil rights staff report over $200 million was awarded to a total of 1,928 MBE contractors in FY 1981, and $270 million was dispersed to 2,793 various MBE contractors in FY 1982. UMTA anticipates in reviewing early FY 1983 reports from our regional civil rights staff that the total dollars awarded to MBEs and the number of MBE contractors will be higher than in previous fiscal years. The size of MBE contracts awarded may vary in range from under $10,000 to well over $1 million. The largest UMTA MBE contract was awarded recently to a minority contractor for the procurement of 110 transit buses for $18 million in the City and County of San Francisco. The contracts awarded to MBEs are

diversified in the type of work involved and can range from the acquisition of pencils to the purchasing of transit vehicles and the construction of transit-related facilities.

IMPROVEMENTS IN UMTA'S MBE EFFORTS

Senator Chiles: What improvements in the effectiveness of the MBE effort of the UMTA have taken place since you became the Administrator?

Response: Since becoming Administrator, improvements in the effectiveness of the MBE effort have been instituted through new initiatives. The following is a brief summary of the new initiatives in this area.

We have developed and implemented an innovative concept that utilizes Program Management Centers (PMC) to assist MBEs in overcoming historical and institutional barriers to participation in transportation related projects. These PMCs, located in major cities across the country, are to provide management, technical and financial assistance to MBEs interested in DOT funded activities. The PMCs are also responsible for assisting grantees in identifying and matching MBEs with available contract opportunities.

UMTA has created a Small and Disadvantaged Business Committee to ensure that minority and small and disadvantaged businesses are given meaningful opportunities to participate in direct procurements emanating from UMTA. All proposed contracts must be reviewed by the Small and Disadvantaged Business Committee prior to contract award.

UMTA has implemented a Section 20 Human Resource Program in which over the last 2 years we have committed over $4 million to a wide range of projects to enhance and assist MBEs. These include such projects as a minority career development program, a career development program for women, a minority managerial development program, a minority contractor management and technical assistance project and a minority bonding project.

ISSUE OF BONDING

Senator Chiles: How do you handle the problem of bonding for minority contractors?

Response: UMTA is presently developing an innovative policy initiative designed to utilize Federal resources to encourage the expansion of bonding efforts to MBEs. UMTA's Office of Chief Counsel is reviewing this policy and examining several other options in which UMTA could implement an effective bonding program, within the constraints of OMB Circular A-87.

CONTRACT AUTHORITY

Senator Chiles: As you know, the Congress made the Trust Fund Transit Account contract authority. How does UMTA plan to use this contract authority.

Response: In FY 1983 the funds under contract authority are being distributed by legislative formula to local areas to be used at their discretion for eligible capital and planning transit projects.

During FY 1984 through FY 1986 the funds under contract authority will be administered from a federal discretionary program. These funds will be used primarily for rail modernization, extraordinary bus, and cost effective new start projects.

PROGRAM MANAGEMENT

Mr. Teele, I understand that UMTA is assuming the administrative responsibilites for the Section 18 Program, and I am also aware of the proposed MBE regulations as issued in response to Section 105 (f) of the Surface Transportation Act.

I would also note that the Act's amendments to the Urban Mass Transportation Act may mean additional work for Regional staffs, especially during the first grant cycle when you work all of the wrinkles out of the new process. I want to stress the fact that we in the Congress are quite serious about the proper execution of the grant certification requirements that are associated with the new block grant program. Our intent is to streamline, but not to render the Federal transit grantees unaccountable for their compliance with the Act. I join many of my colleagues in hoping that your block grant certification process is more effective and credible than the accessibility certification process that you have in place for compliance with Section 16 (b) of the Act.

Senator Chiles: Do you believe that your Regional Offices have adequate manpower to accomplish their missions with these new responsibilities, and is your reorganized Headquarters staff adequately deployed to assist the Regions while administering the sizable discretionary grant program?

Response: Yes, we believe that our Regional Offices have adequate manpower to accomplish their missions with these new responsibilities. By the creation of the block grant program, the time once spent on pre- and post-award reviews will be significantly reduced. The reduction allows our Regional staffs to verify the grantees' certifications.

In regard to the new MBE regulation, our Regional Offices are staffed with an adequate number of knowledgeable Civil Rights Officers who have the experience required to effectively implement the new law.

We also believe that our Headquarters staff is adequately deployed to assist the Regions while administering the sizable discretionary program. The UMTA reorganization was developed based on the expected new legislation. The Office of Grants Management was established to consolidate the administration of all program responsibilities and the Section 18 program, therefore, would be most appropriately placed in this office. Since the reorganization, the Regional Offices have been delegated more grant approval authority than in the past, thus placing the Headquarters offices in a better position to provide the Regions with more assistance in executing their new responsibilities.

BUY AMERICA REQUIREMENTS

Senator Chiles: Section 165 of Title I of the new Act provides for additional "Buy America" considerations. What are the impacts of this section on the Urban Mass Transportation programs?

Response: Section 165 provides, with exceptions, that Federal funds may not be obligated for mass transportation projects unless steel, cement, and manufactured products used in such projects are produced in the United States. The major impact of this general requirement will be that all steel running rail purchases will have to be from U.S. sources, and that the procurement of manufactured products other than rolling stock (a specific statutory exception applies to rolling stock procurement) will also have to be from U.S. sources.

The new requirements apply to all third party contracts. The 1978 requirements only applied to third party contracts of over $500,000.

It is expected that this change will have an impact especially on the procurement of replacement parts.

Both the 1978 and 1982 provisions contain an exception that the basic requirments will not apply if the inclusion of domestic material will increase the cost of the overall project contract. The 1978 provision had a 10 percent differential that applied to all projects. The 1982 provision has a 10 percent differential in the case of projects for the acquisition of buses and other rolling stock, and a 25 percent differential in the case of all other projects. It is expected that this change will have some impact, but it is not known at this time what the full impact will be.

The 1982 provision specifically provides that State buy national requirements that are more restrictive than the Federal requirements are not only permitted, but must be given deference by UMTA. A similar provision did not exist in the 1978 statute. Since Fiscal Year 1981, the Conference Reports on the Department of Transporation Appropriations Acts have mandated that State "buy national" preference provisions that are more restrictive with respect to the procurement of foreign made products than the 1978 Federal provision would be permitted in contracts awarded using UMTA funds. These Reports also provided that the waivers set out in the 1978 Federal statute would continue to govern UMTA participation, and that UMTA could withhold funds if a State would not follow the Federal waivers. This provision may cause some problems for suppliers due to inconsistencies among the State requirements, and uncertainties as to whether or not a State provision is applicable.

Senator Chiles: Do you anticipate any procurement problems--especially the inability of some grantees to procure the type of vehicles that they desire?

Response: The 1982 statute provides that the basic requirement will not apply in the case of the procurement of buses and other rolling stock if the cost of components which are produced in the United States is more than 50 percent of the cost of all components of the vehicles, and if final assembly takes place in the United States. This statutory provision is esentially a codification of the UMTA regulations which implemented the 1978 provision, and

therefore we do not anticipate that there will be any procurement problems. There has been an increase in competition in the rolling stock market since the enactment of the 1978 Buy America provision, and it is believed that the impact of the provision has been positive. Few, if any, grantees are expected to encounter major problems in the acquisition of vechicles. However, if major problems do develop, the statutory exceptions should provide the necessary relief.

COST IMPLICATIONS OF STAA

Senator Chiles: Are there any unique cost implications for UMTA grantees, or for UMTA as an administrative agency, due to the new provisions and requirements of the Surface Transportation Assistance Act?

Response: The primary cost implications of the new legislation are due to the simplified block grant provisions of the Section 9 formula grant program. This program should reduce administrative costs for UMTA grantees by simplifying the application process.

THE SUCCESS OF UMTA'S REORGANIZATION

Senator Chiles: You have approximately one year of experience with your agency's reorganization. Please give us your assessment of the success of the reorganization.

Response: UMTA's management problems were widely recognized by members of Congress, the Executive Branch, and the transit industry for some time. Over the past few years, many studies and reports were conducted documenting the agency's weaknesses. In 1981, Administrator Teele commissioned a working group to consolidate these findings and make recommendations for action. A second working group was then convened to develop an implementation strategy.

In 1982, UMTA undertook a reorganization of its headquarters staff based on these recommendations in an attempt to streamline its operations and concentrate its resources where they were most needed. New directions in the agency's programs, mission, and funding priorities and a serious fragmentation of responsibilities and functions prompted this action.

Over the course of the past year, UMTA has experienced considerable success in meeting the objectives which precipitated this revised structure. By creating two offices which consolidate the capital, operating, and planning programs under one Associate Administrator and the technical assistance activities under a separate Associate Administrator, UMTA has been able to more effectively pinpoint accountability for its program activities and present a more easily identified core of experts to respond to the inquiries and needs of its grantees and regional personnel. The creation of Desk Officers who focus on grantee issues and concerns within this structure has been particularly helpful in resolving specialized types of problems in very short time frames, resulting in vastly improved responsiveness for the organization as a whole.

An important objective of the reorganization was to implement more effective management processes. Changes to the organization and staffing of the Office of the Executive Secretariat and the Office of Financial Management were instrumental in enabling this agency to develop and implement much more effective systems for identifying critical issues, preparing briefing materials for agency officials, and tracking and responding to congressional and constituent correspondence.

As part of its reorganization, UMTA also established a comptroller-type function in the form of the Office of Financial Management, responsible for executing and monitoring the agency's budget. The most significant aspect of this decision was the effort to establish centralized control of the agency's multi-billion dollar program. In addition, establishing "cost centers" as a mechanism for monitoring administrative expenses has proven to be a useful and effective management tool.

Perhaps the most significant product of the agency's reorganization has been the development of UMTA's key officials. A core group of key management staff, headed by a career Executive Director, has been identified and organized to respond in the most effective manner to the changing demands of UMTA's dynamic transit program. This group has continued to identify improvements which can be made to the agency's structure and procedures to enhance these efforts to ensure a responsive and effective program in urban and rural mass transportation.

SUBCOMMITTEE RECESS

Senator D'AMATO. Thank you for your participation. This subcommittee will stand in recess until the week of April 25.

[Whereupon, at 11:40 a.m., Thursday, April 14, the subcommittee was recessed, to reconvene at 10 a.m., on Tuesday, April 26.]

MATERIAL SUBMITTED SUBSEQUENT TO HEARING

[CLERK'S NOTE.—Subsequent to the hearing the following letters were received for insertion in the record:]

LETTER FROM HON. CHARLES E. GRASSLEY, U.S. SENATOR FROM IOWA

April 5, 1983

The Honorable Mark Andrews
Chairman Subcommittee on Transportation
Committee on Appropriations
156 Dirksen Senate Office Building
Washington, D.C. 20410

Dear Mr. Chairman:

Thank you for considering the letters I received regarding the needs of Iowa's transit systems and the problems that have been encountered because of stated funding shortages. The question that you have directed to Administrator Teele in my behalf is helpful and I look forward to its answer.

I would appreciate it if you would include in the Senate Appropriations Transportation Subcommittee hearing record on FY 1984 UMTA appropriations a letter to me from Warren B. Dunham, Director of the Iowa Department of Transportation. This letter underscores the impact of reprogramming transit funds. Included with this letter is a list of proposed major capital projects of Iowa Tansit systems for funding under Section 3 Discretionary program.

Again, thank you for your help. Please keep in touch.

Sincerely,

Charles E. Grassley
United States Senator

LETTER FROM WARREN B. DUNHAM, DIRECTOR, IOWA DEPARTMENT OF TRANSPORTATION

April 13, 1983

The Honorable Charles Grassley
United States Senator
135 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Grassley:

The Urban Mass Transportation Administration (UMTA) has recently changed policy direction on Section 3 and 5 funding applications. The UMTA regional office in Kansas City has told officials in Iowa City, Ames and other cities there will probably be no funds available for Section 3 funding of transit facilities, buses and related equipment. We understand this is consistent with stated UMTA policy to direct discretionary transit funding to major transit projects in large urban areas since formula funding would be adequate for smaller projects. However, UMTA is also asking Congress to allow the reprogramming of Section 5 formula appropriations to fund a major transit project in Atlanta. The combination of events in the two UMTA programs causes us concern for the following reasons:

- An UMTA policy to further concentrate transit funding into large urban transit systems will negatively affect citizens in Iowa and several similar states who depend on small urban transit systems for their mobility.

- Committing large amounts of up-front funding, in excess of Congressional authorizations, to large urban systems in FY 1983 will probably require continued high funding levels in the future to complete those high capital projects. This may require additional reprogramming of formula funds since discretionary authorization levels will decline over the next three years.

- Transit program formula factors, established through the legislative process, should be used to apportion appropriated formula funds. Reprogramming these funds into discretionary programs serves to upset established funding priorities away from the less urbanized states.

For these reasons, we ask that you convey our concerns to the Senate Appropriations Subcommittee during their hearings on transit appropriations. It seems apparent that taking funds from the formula appropriation to benefit certain large urban areas will, in effect, reduce formula apportionments for all other transit systems. This is especially troublesome considering the unavailability of discretionary funds for our smaller systems.

I hope these comments are useful to you in your efforts to assure funding equity for Iowa.

Sincerely,

WB Dunham

Warren B. Dunham
Director

Proposed Major Capital Projects of Iowa Transit Systems for Funding Under the Section 3 Federal Discretionary Transit Program Fiscal Years 1984 & 1985

Rural Transit Systems

Northeast Regional Transit System (Allamakee, Clayton, Fayette, Howard, and Winneshiek counties)

$700,000.00 - Maintenance Facility (FY'84)

Mid Iowa Development Association (Calhoun, Hamilton, Humboldt, Pocahontas, Webster, and Wright counties)

$105,000.00 - 3 (21-passenger) buses (FY'84)

Central Iowa Regional Transit System (Hardin, Marshall, Poweshiek and Tama counties)

$ 90,000.00 - 3 (15-20 passenger) buses (FY'84)

East Central Transit (Benton, Iowa, Johnson, Jones, Linn, and Washington counties)

$128,000.00 - 8 vans (FY'84)
$144,000.00 - 9 vans (FY'85)
$700,000.00 - Maintenance Facility (FY'84)

Heart of Iowa Regional Transit Agency (Boone, Dallas, Jasper, Madison, Marion, Story and Warren counties)

$ 96,000.00 - 6 vans (FY'84)
$114,000.00 - 2 mid-sized buses (FY'84)

Integrated Transit Systems (Appanoose, Davis, Jefferson, Keokuk, Lucas, Mahaska, Monroe, Van Buren, Wapello, and Wayne counties)

$185,000.00 - 6 buses (FY'84)
$190,000.00 - 6 buses (FY'85)
$170,000.00 - Maintenance Facility (FY'84)

Small Urban Transit Systems

City of Ames

$540,000.00 - 4 urban buses (FY'84)
$238,000.00 - Maintenance tools and equipment (for new maintenance facility under construction) (FY'84)

City of Clinton

$195,000.00 - 3 mid-sized buses (FY '84)

City of Muscatine

$160,000.00 - 4 mid-sized buses (FY'84)

Large Urban Transit Systems (located in urbanized areas)

City of Bettendorf

$130,000.00 - 2 mid-sized buses (FY'84)

City of Cedar Rapids

$560,000.00 - 4 urban buses (FY'84)
$600,000.00 - 4 urban buses (FY'85)

City of Des Moines

$775,000.00 - 5 urban buses (FY'84)
$1,092,000.00 - 6 urban buses (FY'85)

City of Dubuque

$200,000.00 - Maintenance facility modifications (FY'84)

Newly Urbanized Areas

City of Iowa City

$960,000 - 6 urban buses (FY'84)

CAMBUS (University of Iowa public transit system)

$480,000.00 - 3 urban buses (FY'84)

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, APRIL 26, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:15 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and D'Amato.

NONDEPARTMENTAL WITNESSES

OPENING REMARKS

Senator ANDREWS. The committee will come to order.

Apologies for being late. I was over at another committee doing business with the Weather Service. I might open with a little story from Mark Twain.

At a banquet a speaker was ranting on about a subject which held very little interest for most of the audience. Unable to stand it any longer, one of them slipped quietly out. Outside of the door he bumped into another sufferer who had gone out before him.

"Has he finished yet?" he was asked.

"Yes", said the man who just escaped, "long ago, but he won't stop." [Laughter.]

The following remark by Mark Twain may well be taken to heart by the various witnesses gathered here today:

Mark Twain was talking about a situation in Hartford. He said:

> Some years ago in Hartford we all went to church one hot sweltering night to hear the annual report of Mr. Hawley, a city missionary who went around finding people who needed help and didn't want to ask for it.
>
> He told of life in cellars where poverty resided. He gave instances of heroism and devotion to the poor. "When a man with millions gives", he said, "we make a great deal of noise. It is noise in the wrong place. It is the widow's mite that counts."
>
> Hawley worked me up to a great pitch. I could hardly wait for him to get through. I had $400 in my pocket. I wanted to give that and borrow more to give. You could see greenbacks in every eye.
>
> Instead of passing the plate then, he kept on talking and talking and as he talked it grew hotter and hotter and we grew sleepier and sleepier. My enthusiasm went down, down, down, $100 at a clip, until finally when the plate did come around I stole 10 cents out of it.
>
> It all goes to show a little thing like that can lead to crime.

So said Mark Twain. [Laughter.]

I just want to tell you there is an old saying in the Appropriations Committee, the longer it goes, the less the money is likely to fall.

Having predicated our hearing this morning with the wisdom of Mark Twain, let me say today we are delighted to have a group of outside witnesses. We have a group from the National Aeronautics Association first, Mr. Clifton F. von Kann who is the president.

Mr. von Kann.

NATIONAL AERONAUTICS ASSOCIATION

STATEMENT OF CLIFTON F. VON KANN, PRESIDENT

Mr. VON KANN. Thank you, Mr. Chairman.

Senator ANDREWS. We also have a wonderful timer. After 5 minutes the red light goes on. That is when you really begin dropping dollars.

Mr. VON KANN. I think I hear you, Mr. Chairman.

Thank you very much for this opportunity.

The 14 aviation associations appearing before you today jointly urge your approval of the full authorized levels of airport and airway funding from the aviation trust fund for fiscal year 1984, a total of some $700 million above the administration recommendations.

As you know, aviation capital investment programs are 100 percent user-funded and aviation user revenues have already been contributed to fund the expenditure levels we are recommending.

Our reasons in support of full authorized funding for the airport improvement program (AIP), the airways modernization program (facilities and equipment), and airways research and development (R&D) are many, and some of our associations will offer their individual views to you at the conclusion of this short joint statement.

A majority of members of the aviation community worked very closely with the Congress and the Administration last year to reach a consensus on the provisions of the Airport and Airways Improvement Act (title V, Public Law 97-248) that was enacted last September and since twice amended.

We continue to support that legislative package of increase aviation user taxes in tandem with a phased program of substantial levels of airport and airway expenditures from the aviation trust fund to modernize our Nation's air traffic control system and to increase the safety and capacity of our airport system. Those authorized levels of investment in aviation s intrastructure are justified.

The aviation community was greatly disappointed to note that the Administration's fiscal year 1984 budget requests for the next fiscal year fall significantly short of the authorized levels for both airports and airways.

In our view, those budget requests fail to take account of the important commitments made last year by the Administration to support necessary improvements in the airport-airway system if the user groups agreed to support higher levels of taxes and user fees.

In our view of all our associations, these mutual commitments are important and must be honored. Our memberships are, for our part, providing the tax revenues to fully support those expenditure levels.

First, we wish to express our gratitude to the Appropriations Committee for accepting in the House-Senate conference on the jobs bill the entire $150 million Senate-proposed increase in fiscal year 1983 airport obligations. That increase in obligational authority will allow highest priority jobs creating airport projects to be started within the next few months.

The Administration has made a case that it has approved airport aid funding at levels approximating those authorized. That case rests, however, on combining moneys left over from prior years with the principle that funds made available now should be treated as borrowed from future authorizations.

In actual budget terms for fiscal year 1984, however, the Administration would propose an AIP obligation ceiling of $700 million, $293.5 million below the current congressionally approved authorization level for that fiscal year.

As this subcommittee knows, there is still a substantial backlog of high priority airport safety and capacity projects—already reviewed and approved by FAA—to which the full $993.5 million in AIP contract authority could wisely be committed during fiscal year 1984.

The Administration budget also proposed to reduce fiscal year 1984 budget authority for the airways modernization program from the authorized level of $1.393 billion to $1 billion. FAA Administrator Helms—whose personal efforts shaped the National Airspace System Plan (NASP) which we all support—has stated in recent congressional hearings that delays in implementation of NASP will require expenditures of not more than $1 billion in fiscal year 1984.

But he subsequently acknowledged that the balance of the full $1.393 billion authorization level could be prudently spent on other airways system improvement needs. Some of our associations in our individual presentations will highlight representative airways projects that could be funded within the authorized level.

Congress in its wisdom inserted in Public Law 97-248 so-called penalty clauses that would reduce the amount of trust fund support for Federal Aviation Administration operations and maintenance (O&M) if the moneys appropriated and made available for airport and airway capital programs were less than the authorized levels.

These provisions were well-calculated to prevent unauthorized use of the dedicated trust fund and to assure the proper balance between civil aviation's capital and noncapital expenditures. Our associations are united in the view that these penalty provisions must be enforced by the Appropriations Committees in any year in which full funding for capital items is not provided.

In conclusion, Mr. Chairman, we appreciate the opportunity to jointly appear, and your subcommittee's past support of the civil aviation system, and we respectfully urge you to adopt the full authorization levels for airports and airways in fiscal year 1984 as already financed by aviation user taxes.

Thank you.

Senator ANDREWS. Thank you very much for an excellent statement.

We next have Mr. John Ralph from the Air Transport Association.

Again, Mr. Ralph, let me assure you that your statement will be included in full as though you had uttered every word of it. We will be glad to hear from you.

AIR TRANSPORT ASSOCIATION

STATEMENT OF JOHN RALPH, SENIOR VICE PRESIDENT, OPERATIONS AND TECHNICAL SUPPORT

Mr. RALPH. Mr. Chairman, in that case, let me take this opportunity to concentrate on four points that the air transport industry believes are the key issues of the proposed 1984 FAA budget.

The first issue is ATC modernization. The airline industry believes that full funding of facilities and equipment in the amount of $1.393 billion is essential to guarantee capability and safety of the ATC system.

Mr. Helms testified that FAA could accept the proposed $1 billion appropriation without significant impact upon the timetable of modernization because there is already a delay in the computer buy. We acknowledge there is slippage in the computer program which would move the cost requirement of some acquisition actions into fiscal year 1985.

However, we also wish to identify the fact that not all of the $393 million shortfall can be charged against the computer buy. FAA documents indicate the computer program will have an F&E cost of some $240 million.

So, clearly other items are being delayed as well. More importantly the development work on other programs is already completed and the items are ready for acquisition. The FAA should redirect funds into these programs so that they can benefit from quantity buys.

A case in point is the ASR-9 surveillance radar which is a large acquisition program and could benefit greatly from a multiyear procurement contract. If ATC modernization does not take place at a deliberate pace, we shall see increasing traffic delays as the economy recovers and people return to the skies and it will not be very long until we shall see the potential for an erosion in the level of safety.

The FAA is already projecting the compromise of some safety enhancement in the ATC system, a case in point being conflicting resolution advisories and conflicting alerts between controlled and uncontrolled aircraft.

I ask the Congress not to allow this kind of compromise to transpire.

Issue No. 2, research, engineering and development. Last week Senate budget action portended crippling of the ATC modernization effort by reduction of the RE&D funding levels from $285 million to $105 million.

Mr. Chairman, I would like to point out that the advanced computer program is earmarked to receive $157 million of R&D monies in fiscal year 1984. Clearly if the Congress follows the guidance of the Budget Committee in this area ATC modernization is going to be stopped in its tracks and will proabably take more than a year to recover.

Issue No. 3, the O&M formula. The Tax Equity and Fiscal Responsibility Act of 1982 authorized expenditures from the aviation trust fund for O&M based upon a formula which ties the level of O&M to funding for facilities and equipment and airpo improvements.

The purpose of this formula is to insure that the trust fund moneys are not misused and to provide an incentive for the Administration to fully fund airways and airport projects. The Administration now wants this provision of law withheld and wants to escape penalties for underfunding of F&E and AIP.

First, let me say that we want full funding in F&E and AIP, but second, let me say if we do not get full funding, we most certainly want the letter of the law applied to the Administration's action just as the letter of the law is applied to the tax behavior of U.S. citizens and institutions.

Issue 4, concerns over user charges. Last year various segments of the aviation community joined in a consensus to support the FAA's modernization plan and the necessary user taxes to fund it. There was a clear understanding if the historic pattern of the trust fund surplus continued, then user taxes should be reduced to bring about a balance between taxes and expenditures.

If the FAA budget continues to be unfunded, then pressures will build to redress this imbalance with a call for a reduction in user taxes.

In closing, let me bring to the attention of the committee that the airlines are boarding between 800,000 and 1 million people a day and that number will grow as the economy recovers. These people, your constituents, are the beneficiaries of a safe and efficient ATC system. Don't let them suffer the consequences of underfunding of the FAA.

Thank you.

Senator ANDREWS. Thank you very much.

[The statement of Mr. Ralph follows:]

STATEMENT OF JOHN E. RALPH

My name is John E. Ralph. I am Senior Vice President, Operations and Technical Support of the Air Transport Association of America. The Association represents scheduled air carriers. It is a pleasure to be here today and to offer our views on the FAA's FY-1984 appropriations.

Prologue

In order to set the stage for my remarks about the FY-1984 appropriations, it is useful to recapitulate the milestone events of last year that led to authorizing legislation for airport and airway modernization.

Commitments were made by the Administration, the Congress, and the user community to provide for a balanced program of Air Traffic Control (ATC) modernization (the Helms Plan) and airport improvements, along with the necessary user charges to fully fund these programs and to provide a proportionate share of FAA Operations and Maintenance costs. These commitments, entered into with a sense of purpose and accomplishment, paved the way for the enactment of legislation authorizing airport and airway improvements.

FAA witnesses contended that user charges had to be at the level recommended to support the expected heavy expenditures for modernization, particularly in the early years. The user community wanted to insure that specific user taxes, levied for the purpose of supporting ATC and airport modernization through the Aviation Trust Fund, would not build a surplus which would be used for other purposes.

The Congress shared this view and wrote into the bill a formula whereby that part of FAA Operations and Maintenance costs coming from the Trust Fund would be dependent upon the level of appropriations for airway development and airport improvements.

In our testimony last year, ATA was strong in its position, and remains so, that if the taxing measures generated more revenue

than the Administration needed for airway and airport modernization, then the taxing rates should be adjusted downward to eliminate any excessive surplus.

The consensus that was reached, which took months and months to hammer out, is not yet one year old.

The FAA has now come forward with a budget proposal for FY-1984 that is $487 million less than was authorized. Of this, the FY-1984 Facilities and Equipment request is $393 million less than the authorized level.

In addition, FY-1983 already suffers a $100 million shortfall in its F&E account. Less than one year after the commitments discussed above were made, the FAA is proposing budget shortfalls in the Facilities and Equipment accounts of $493 million. Legislation provides for an accumulated F&E authorization of $2.379 billion for Fiscal Years 1982 through 1984. The underfunding of $493 million means a shortfall of over 20 percent. Satisfactory progress cannot be made if this vital modernization program is to be plagued by such underfunding.

Airway Modernization

The need for full funding of modernization of the ATC system is even more urgent now than last year when Congress passed the Tax Equity and Fiscal Responsibility Act of 1982 (PL 97-248), which included provisions for authorizing airport and airway modernization and revitalizing the Aviation Trust Fund.

The first signs of growth in the volume of air traffic are already evident. Further, the resurgence of the economy is starting to take place. This will lead to even greater increases in traffic demand on the ATC system. The ATC computers are continuing to age, and the day when they can no longer be maintained at an acceptable performance level is getting closer. In addition, although we have the finest aviation system in the world, new ATC services, including automated conflict resolution

and Automated Enroute Air Traffic Control (AERA), are needed to enhance efficiency and safety.

Legislative action last year recognized these growing needs, and an aggressive plan of action was fashioned. As mentioned earlier, all parties accepted a commitment to fully fund and accomplish the needed modernization.

FAA Facilities and Equipment

Yet, the Administration has proposed to fund Facilities and Equipment (F&E), airway modernization work, at a level of $1.0 billion instead of the $1.393 billion authorized for FY-1984, or a total of $1.493 billion if we include the $100 million shortfall in FY-1983. Not only does this create the tax inequities referred to earlier, it is also an inefficient way to manage the modernization program and will inevitably lead to higher costs.

Accordingly, it is important for the Congress to fund the effort to the authorized level so that this vital program can move forward in an expeditious and economical manner. If F&E is fully funded, the FAA can take advantage of quantity buys, avoiding the penalties associated with stretched out procurement. It would be a mistake not to provide the funding because of a current slippage in the computer buy -- there are many important components of the system ready for procurement, and they should be obtained on a timely basis.

Attachment A lists possible changes in the FAA program which could make efficient use of full funding at the FY-1984 authorized level. In all cases, this added equipment would result in improved safety and provide better service to the users. As most are a matter of changing the procurement quantity, there would be little additional work required of the FAA.

In addition, we are recommending in Attachment A improvements to the Instrument Landing System (ILS) program necessary to insure uninterrupted commercial air service to a large number of communities during a wide variety of weather conditions. We

are particularly concerned with FAA plans not to replace a number of obsolete tube-type ILS's currently used by all aircraft. These systems will reach a point where they can no longer be maintained -- in effect, left to wither on the vine. We recommend that FAA extend current solid state ILS procurements to provide an additional 81 sets to replace all the tube-type ILS's at airline airports.

Nine initial runway locations where ILS service or components are needed now are included in Attachment A, and are listed in greater detail in Attachment B. New ILS components are needed to provide full ILS capability at locations where now there is only a partial capability. We are also faced with the loss of the back course approach capability at many runways, due to modernization of the front course which eliminated the back course signal. These back courses have performed a significant service when weather conditions dictated their use, and their loss should not be permitted. Accordingly, Attachment A includes our recommendation that 25 Category I ILS facilities be installed to serve runways where back courses have been, or will be, decommissioned as new equipment is installed.

In addition, there are a number of locations where Category II ILS equipment is being used for Category III all-weather landing service, and we believe these should be upgraded to provide fail-operational service, that is, be capable of sustaining a failure in a monitor channel, or a transmitter channel, and still continue operating. A list of 10 specific initial locations is included as Attachment C.

FAA has deferred plans for these and other ILS facilities, ostensibly because of the program to install the Microwave Landing System (MLS). In 1982 we supported the MLS recommendation of the Industry Task Force on Airport Capacity and Delay Reduction, which called for more work on MLS and an orderly implementation program. Indeed, if FAA followed the Task Force priorities, there would be plenty of locations at which to install MLS with-

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out duplicating or deferring any ILS. In the near term, deployment of MLS is not a sound reason to impose restrictions on ILS service. ILS must continue to be enhanced during MLS deployment in order for airlines to maintain the service which the people of this country expect.

Research, Engineering and Development

The $286 million Research, Engineering and Development (R, E&D) budget for FY-1984 provides the underpinnings of the airway modernization program. There are a number of critical items in this budget. Without adequate funding for these essential programs, progress in the modernization effort will be seriously curtailed.

Two critical items are the enroute ATC computer replacement and the ATC Advanced Automation System. For the Advanced Automation System development, it is necessary for FAA to conduct a field demonstration of Automated Enroute Air Traffic Control (AERA) concepts for the purpose of refining them in light of user experience. Another program which is essential to efficiency and safety is the determination of navigational performance standards that would lead to reduced vertical separation above Flight Level 290 (29,000 feet).

Airport Improvement Program (AIP)

The Tax Equity and Fiscal Responsibility Act of 1982 originally authorized $794 million for AIP in FY-1984. Subsequently, the Surface Transportation Assistance Act of 1982 (PL 97-424) increased the amount available for airports by $200 million. While the Administration endorsed both of these Acts, it now states that it intends to limit airport improvement funds to $700 million. As with airway modernization, a shortfall in airport funding fails to take into account the fact that user taxes are the source of these funds. Recognizing the commitments that were made last year by the Administration and the users, we believe the airport improvements should be fully funded at the authorized level.

Operations and Maintenance (O&M)

As mentioned earlier, the Tax Equity and Fiscal Responsibility Act of 1982 authorized expenditure from the Trust Fund for O&M at levels predicated on the level of F&E and AIP funds made available during each fiscal year. This provision was carefuly calculated to prevent unauthorized use of the Trust Fund, and should be enforced in any year in which full funding for capital items is not provided. With the Administration's proposed capital budget, we believe the Trust Fund amount authorized for O&M would be less than $100 million (PL 97-248 as amended by PL 97-424). Nevertheless, the Administration has proposed $1.099 billion from the Trust Fund for O&M in FY-1984.

We strongly believe that the O&M expenditures from the Trust Fund should be set according to the criteria established in the legislation reauthorizing the airport and airway modernization program. Consistent with this, if funding is restored to that previously authorized for F&E and AIP as supported earlier in my statement, then $1.240 billion O&M could be accommodated from the Trust Fund.

Rebuilding the Air Traffic Control System

Concurrent with the implementation of the Helms Plan, the FAA is engaged in the rebuilding of the ATC system. The system is operating safely, and we are pleased to note progress in the restoration of pre-strike capacity.

There is a need to insure that control facility staffing standards are adequate and take into account the long training time necessary to qualify new people. We are in essential agreement with the ATC staffing objectives and the airspace organizational structure based upon current data and assumptions. We believe these staffing objectives will remain valid through the Summer of 1984. However, there are a number of factors which could change that judgment. They include such things as:

- The rate and vigor of economic recovery and concomitant increases in air cargo and passenger service.

- Greater than expected levels of military and general aviation activity.

- More rapid retirement of senior controllers than presently anticipated.

Any one, or combination of these factors, as well as others, might dictate the need for additional controller recruiting and training and additional restructuring of the airspace.

There is also a concern that an adequate staff of trained maintenance technicians be provided to maintain the equipment. We understand that a significant loss of the current staff is projected through the decade. Further, introduction of new high technology equipment will likely increase training requirements, and this may create a significant lead time problem in the training of maintenance personnel at a time when the hiring rate has also been reduced.

We see the need for a transition plan on the part of the FAA, which will chart out the path the ATC system must take after 1984 to both accommodate traffic growth and the transition into the advanced automated ATC system envisioned in the Helms Plan.

SUMMARY

In my closing remarks, I would like to sum up those areas of greatest concern to our member airlines together with our recommendations:

1. The modernization of the ATC system in accordance with the Helms Plan must be carried out, otherwise the ATC system will not have adequate capacity to satisfy traffic demands, and the potential for an erosion in the level of safety may result.

2. We strongly support full funding of FAA's Facilities and Equipment account so that modernization can proceed in a timely and economical fashion. The FAA

can effectively and efficiently manage full funding, and therefore at least $1.393 billion should be appropriated for FY-1984.

3. Full funding of R, E&D is absolutely essential because it provides the launch point for further modernization.

4. To the degree the FAA is allowed to underfund AIP and/or F&E, then the O&M proportion of funding from the Trust Fund should be reduced according to the formula contained in the law.

5. Finally, if the pattern of Trust Fund surpluses continues because of imbalance between user charges and expenditures, then the discrepancy should be resolved by reducing user charges. This approach was a part of the underlying consensus that developed in support of ADAP reauthorization.

Mr. Chairman and Members of the Committee, I appreciate the opportunity to provide you with the views of our members, the major air carriers of the United States. I am now ready to address your questions.

April 6, 1983

TABLE OF SELECTED ITEMS

FY-1984 FAA FACILITIES AND EQUIPMENT (F&E) BUDGET

(Dollar Figures in Millions)

Item Number 1/	Name	FAA 3-17-82 Testimony (for FY-1984)	FAA Budget Request (Jan. 1983)		Recommended Increase	
			Amt.	Qty.	Amt.	Qty.
1.a.(2)	Radar Microwave Link (RML) System Replacement, Expansion/Netting	$ 48.8	$ 38.8	200	$ 50.0	260
1.c.(1)	Replace Air Route Traffic Control Center (ARTCC)/ Remote Center Air/Ground (RCAG) Signaling/Control (Tone) Equipment	26.7 (55.9) 2/	30.7		25.0	
2.a.(1)	Provide Mode-S Surveillance and Data Link Capabilities	106.2	114.2	76	70.5	45
2.a.(2)	Terminal Airport Surveillance Radar (ASR) Program - (ASR-9's)	87.1	100.0	25	280.0	70
2.a.(3)	Establish/Replace Airport Surface Detection Equipment	42.7 (76.7) 3/	28.1	8	2.5	7 4/
4.c.(2)	Provide Approach Lighting System Improvement Program	20.5	13.2	19	7.3	11

770

Attachment A

Item Number 1/	Name	FAA 3-17-82 Testimony (for FY-1984)	FAA Budget Request (Jan. 1983)		Recommended Increase	
			Amt.	Qty.	Amt.	Qty.
4.c.(new)	Provide Solid State Instrument Landing Systems (ILS's) as Replacement for Obsolete Equipment 5/ 9/	-	-		$ 32.4	81
4.c.(new)	Provide Solid State Instrument Landing Systems (ILS's) at Locations where Back Course Approaches are to be Decommissioned 6/ 9/	-	-		12.5	25
4.c.(new)	Provide Solid State Instrument Landing Systems (ILS's) or Components at Locations where Immediate Operational Need Exists 7/ 9/	-	-		5.8	9
4.c.(new)	Upgrade Category II Instrument Landing Systems (ILS's) to Provide Fail Operational Category IIIb Service 8/ 9/	-	-		7.0	10
				Total Recommended Increase -	$493.0	

Authorized before 10-1-84	$2,379 Million
Appropriated FY-1982 & 1983	- 886 Million
Available for FY-1984 Appropriation	1,493 Million
Administration Request for FY-1984	1,000 Million
Additional Amount Available for Appropriation FY-1984	$ 493 Million

Notes:

1/ Items numbered in accordance with Pages 241, 253 and 273 of FAA FY-1984 budget submission.

2/ $55.9 million is the $29.2 million planned for FY-1983 which was deleted from the budget, plus the $26.7 million planned for FY-1984.

3/ $76.7 million is the $34.0 million planned for FY-1983 which was deleted from the budget, plus the $42.7 million planned for FY-1984.

4/ Recommendation for off-the-shelf procurement of a total of 15 units.

5/ This upgrading to solid state ILS equipment is necessary to insure continuation of service when the obsolete tube-type equipment can no longer be maintained. It is understood that FAA currently plans to replace only 133 tube-type equipments. The budget item of 81 is intended to provide for replacement of the remaining tube-type ILS equipments (full and partial) at this time. Replacement with ILS rather than MLS is necessary in order to provide service to aircraft which are only equipped to receive ILS and will not be MLS equipped for some time in the future.

6/ As a result of prior year ILS replacement funds, modern equipment is being installed which no longer provides a back course signal usable for approaches to the opposite end of the runway. At most locations previously having a back course approach, wind and weather conditions dictate use of that end of the runway on a regular basis. The proposed increase would provide an ILS on these runways in order to maintain service when the back course is removed.

7/ Additional ILS service is also needed on select runways not covered by the above two items.

8/ Users have invested substantial amounts in airborne ILS equipment intended to provide Category IIIb all-weather operating capability. An additional 10 ground facilities need to be upgraded to fail operational Type III capability in order to permit full use of the airborne equipment, and to obtain its advantages.

9/ FAA specifications for this equipment are believed current, and contracts can be let without the significant manpower needed to develop a new specification.

Attachment B

PROVIDE SOLID STATE INSTRUMENT LANDING SYSTEM (ILS)

7 Category I ILS with Approach Lights..... $4.2 Million

2 Glide Slope with Approach Lights ..... $1.2 Million

1 Relocation of ILS and Approach Lights ..... $0.4 Million

$5.8 Million

LOCATION	RUNWAY	REMARKS
ALABAMA		
Huntsville	18L/36R	Relocate from 36L
CALIFORNIA		
San Francisco	10R	Full ILS
FLORIDA		
Jacksonville	25	Glide Slope, Middle Marker and Approach Lights
LOUISIANA		
New Orleans	19	Full ILS
MONTANA		
Billings	27R	Full ILS
NEBRASKA		
Omaha	17	Full ILS
NEVADA		
Reno	34	Full ILS
TENNESSEE		
Bristol	04	Glide Slope, Middle Marker and Approach Lights
TEXAS		
Dallas/Ft. Worth	36R&35L (New designations)	Full ILS

Attachment C

UPGRADE EXISTING ILS FAIL OPERATIONAL CATEGORY III ALL WEATHER CAPABILITY

10 Runways, Upgrade Category II Instrument Landing Systems (ILS's) to Provide Fail Operational Service ..... $7.0 Million

LOCATION	RUNWAY
ILLINOIS	
Chicago	14L
INDIANA	
Indianapolis	4L
LOUISIANA	
New Orleans	10
MARYLAND	
Baltimore	10
MASSACHUSETTS	
Boston	4R
NEW JERSEY	
Newark	4R
OHIO	
Dayton	6L
PENNSYLVANIA	
Philadelphia	9R
Pittsburgh	10L
WISCONSIN	
Milwaukee	1L

NATIONAL ASSOCIATION OF STATE AVIATION OFFICIALS

STATEMENT OF WILLARD G. PLENTL, JR., PRESIDENT

ACCOMPANIED BY JOSEPH G. MASON, EXECUTIVE VICE PRESIDENT

Senator ANDREWS. Our next witness is Mr. Willard G. Plentl, Jr., representing the National Association of State Aviation Officials.

Mr. PLENTL. I am Willard G. Plentl, Jr., director of the Division of Aviation of the North Carolina Department of Transportation, and president of the National Association of State Aviation Officials. With me is Joseph G. Mason, executive vice president of NASAO.

NASOA, whose members are State public agencies, represents the aviation interests of 48 States and the Commonwealth of Puerto Rico.

We have filed a complete statement for the record, but offer the following comments in summary:

Last year we were a member of the Coalition of Aviation Groups which agreed to higher levels of taxes on aviation users in the belief that the increases would go for needed improvements to our airport and airways system. We were appalled that the administration would so quickly disregard the commitments and promises they made before you, and other congressional committees, to put the tax receipts to work to meet the needs of our airport and airways system.

Our primary thrust today is the capital investment programs related to facilities and equipment and airport development.

Concerning facilities and equipment (or F&E as it is called), you might find it interesting that collectively the States spend more than $4.7 million annually on navigational aids and have installed to date more than 660 landing and navigational aids. We do this for safety reasons.

We have reviewed the recommended F&E figures to be presented to your committee by the Air Transportation Association and the Regional Airline Association. We feel their proposed F&E levels could be well spent, and we support full funding of F&E as authorized in existing legislation.

Failure by the administration to spend the full appropriation should result in application of the existing penalty clause to limit the FAA's operations and maintenance funding from the trust fund.

As to airports, we would point out that the States are collectively spending, on all classes of airports, more than $271 million a year for airport capital improvements.

At the State level, airports are not only considered transportation hubs, but vital economic development assets. While costly up-front, airports over the long term return the capital investments many times over to their communities.

Much work remains to be done just to bring our national system of airports up to the requirements of today's traffic. The FAA currently has a backlog of $1.4 billion in grant applications, and, we are told, another 1 billion dollars' worth is expected before the end of this year.

The money invested in capital improvements and airport modernizations provide immediate economic benefits to local communities in terms of jobs.

If the administration proposal of $700 million for airports prevails over the level authorized by Congress, it will mean a potential loss of 18,400 jobs.

The user taxes needed to fund the authorized level of $993.5 million for the airport capital improvement program have already been collected. With both the funds and needs in place, we support appropriating the full $993.5 million for the airport improvement program in fiscal year 1984.

Most States have prioritizing programs for use in allocating both State and, where applicable, Federal airport funds. We feel that use of such systems is the only fair, objective approach for responsible public officials to take to be sure that public funds are spent responsibly.

The FAA has developed and is testing a system of prioritizing the allocation of Federal funds for airports. While we differ in specifics, we are working with them to develop a comprehensive system.

When Congress, for whatever reasons, mandates arbitrary funding of specific projects without regard to their functional priority in the national system, both responsibility and need become meaningless words. We urge you to allow the program you have established to work and not use place naming to negate the priority system.

In conclusion, we would ask that in making your decisions on FAA funding for fiscal year 1984, you do so with these important points in mind.

Aviation users have put their money up front with not only the expectation but also the promise that it would be spent. This promise was made to you, the Congress, as well as to the users being taxed.

Congress has already agreed to these expenditures through the authorizing process. As we beat the red light, we ask you to support it with the necessary appropriations.

Thank you.

Senator ANDREWS. Congratulations. You did well.

[The statement of Mr. Plentl follows:]

STATEMENT OF WILLARD G. PLENTL, JR.

I am Willard G. Plentl, Jr., Director of the Division of Aviation of the North Carolina Department of Transportation, and President of the National Association of State Aviation Officials.

With me is Joseph G. Mason, our Executive Vice President.

We are pleased to have this opportunity to testify on the appropriations proposals before you. Our association represents the aviation interests of 48 states and the Commonwealth of Puerto Rico. Our members are the government agencies responsible for aviation in their respective states. As such, they are supported by public tax dollars, and are accountable not only to elected and appointed officials at the State level, but also to the general public as well as aviation users.

We would like to go on record as being in complete accord with letters and testimony you have received, and will receive, from other aviation groups expressing feelings of both outrage and frustration at the obligational levels proposed by the Administration for the Airport and Airways program in Fiscal 1984.

We were a member of the coalition of aviation groups which, acting in good faith, agreed to higher levels of taxes on aviation users in the belief that the massive increases would be utilized for much needed improvements in our airport and airways systems.

As representatives of government agencies ourselves, we are appalled that the Federal Administration would so callously disregard the commitments and promises made at the time the taxes were agreed to. It was, at minimum, a breach of faith. Moreover, it created a credibility gap on the whole subject of user fees which could permanently damage the acceptance of this otherwise worthy way to finance public expenditures.

Capital Investment Funding

While the states are collectively interested in all facets of aviation, we are particularly concerned with the capital investment pro-

grams within the FAA's budget -- Facilities and Equipment for the airways; and the construction and improvement of airports.

The extent of the States' concern with the F&E program is reflected in their commitment of state funds and resources to help fill in the gaps in the federal program. Our latest NASAO survey shows that, as of March 1, this year, the states are collectively spending more than $4,700,000 annually on the purchase and installation of navigation and landing aids, primarily for the small and medium size airports where the lack of federal investment threatens the concept of an accessible Air Transportation System.

As of March 1, there were more than 660 landing and navigation aids in operation nationwide that were purchased and installed by states to supplement the system operated by the FAA. These range from Unicom ground stations to the most sophisticated TVORs, ILSs, and MLSs. Currently, 39 states assist local sponsors with funds for the purchase of needed navigation and landing aids; 13 provide funding to support operation and maintenance of such aids.

The majority of these state aids have been installed at smaller airports that would not otherwise have the safety and accessibility benefits of such equipment. In recent years, paralleling the growth of the commuter airline industry, navaids have been installed by State and Local governments to improve the all-weather operational capabilities at smaller airports being used by the commuters. They are also being installed to upgrade all-weather access for general aviation airports, some of which serve as relievers.

We have had the opportunity to review figures to be presented by the Air Transport Association and the Regional Airline Association, detailing their estimates of needs for additional navigation and landing aids nationwide. Without actually duplicating their studies, we are certain that a similar survey of the state aviation agencies would yield comparable results. There is no question in our minds that the full $1.3 billion already authorized for the F&E program could be

spent to good advantage to improve both the safety and the reliability of air service to small and medium size communities.

We support the recommendations of the airline associations, and we request your support in fully funding the existing authorization levels. Further, we request your concurrence that, should the FAA fail to spend the full authorizations, the penalty clauses in the existing legislation be invoked as regards the FAA Operations and Maintenance funding from the Trust Fund.

Airport Improvement Program

The states' interest in airports is also backed by investments of public funds in airports:

The states are collectively spending more than $271.9 million a year in airport capital improvements -- with a large portion of the money going to supplement the critically deficient Federal Airport Improvement Program.

At the state level, of course, airports are not only considered transportation assets, they are also looked at as vital economic development assets. Even in these times of fiscal constraint at the state level, states are finding the dollars needed to upgrade airports in response to the needs and demands of business and industrial users. Airports are costly only in terms of up-front money. Over the long term, they return the capital investments many times over, particularly in terms of community investments by business and industry.

Further, in addition to long range benefits, the money spent on capital improvements and airport modernizations today provides immediate benefits in the form of jobs.

According to figures supplied by The Associated General Contractors, every billion dollars invested in airport-type construction projects, results in a total of 63,000 on-site, off-site, and induced jobs. Breaking this down as an average, one job results from

each $15,873 spent on airport type construction projects.*

At this point, we do wish to commend the Congress for including $150 million for airport capital improvement programs in the recent Jobs Bill. On the basis of the AGC estimates, that money will probably account for more than 9,400 jobs over the next year. As you undoubtedly know, we at the state level are every bit as concerned about jobs as anyone here in Washington. State finances are doubly hit by unemployment: first, the increase in state funds that must be paid out to support the jobless; secondly, the cuts in income because of reduced tax collections.

Funding Levels vs. Jobs Production

In looking at the two proposed funding levels for airports in Fiscal 1984 -- what Congress has already authorized, and what the Administration proposes -- we find significant differences in terms of jobs potential. Funding the FY '84 Airport program at the full $993.5 million authorized by the Congress, would result in approximately 62,591 jobs using the average of $15,873 per job.

If the Administration prevails, the result will be about 44,000 jobs -- a loss of about 18,490 in these times when every job is still important to our economy.

To demonstrate the effects of this on the individual states and airport communities, we have included two appendices to this testimony:

Appendix I shows the effects of the two funding levels on the enplanement funds available to all commercial service airports in the nation which received such funds in FY 1982. Dividing the "Differ-

*AGC Definitions and Estimates: Each billion dollars spent for airport type construction projects results in...

13,100 On-Site Jobs (actual hard hat and labor jobs);

13,200 Off-Site Jobs (plans; specifications; manufacture and processing of materials; testing; deliveries to the job site, etc.);

36,700 Induced Jobs (resulting from the spending by both on-site and off-site workers; reinvestments of profits; community tax collections; etc.)

ence" figures for any given airport by $15,800 will give you a close approximation of the jobs at stake.

Appendix II provides the same analysis for the State Apportionment funds that go to General Aviation airports on a state-by-state basis.

(These tables do not account for additional jobs that would be created by the discretionary funding program. Discretionary grants are not formularized, and cannot be predicted by airport, state, or region.)

The impact of the funding differences in terms of jobs is just as important today as meeting transportation needs. When we can help meet both goals with one self-supporting program, we are looking after the public interest.

With more than $1.4 billion in grant requests now in the FAA's hands, the money can be spent -- and spent effectively and productively to satisfy documented needs.

Fund Allocation Methods

This brings us to another concern we would like to address: the allocation of the funds for effective and productive results.

Appendix III to this testimony is a compilation of typical airport projects, with related federal funding, in FY 1982. They are presented as examples of the kinds of "products" airport money actually buys. They should not, however, be taken as firm indicators of how future funds will be allocated.

The Federal Aviation Administration is currently testing a prioritizing system aimed at providing guidance to the Regional offices in meeting the current and pressing needs of the total system. In brief, it sets priorities in this order:

Special Programs: Development to implement safety and security requirements under existing rules and regulations -- the highest priority safety work. (Although most airport development is safety related, this category is narrowly defined in order to focus on highest priority work.) It also includes those categories of priorities designated by the Congress in existing

law: approach and navigational aids; approach light systems for all primary runways at commercial service airports; VASIs for all runways at commercial service airports; and REILs for all runways without ALS on commercial service airports.

Reconstruction: Development required to maintain, where eligible, the functional integrity of the landing area. Includes rehabilitation of pavements and replacement or rehabilitation of lighting systems.

Standards: Development oriented towards bringing existing airports up to recommended standards based on the current designed use. Includes runway surface treatment at other than commercial service airports; runway safety areas; obstruction removal and lighting; land and other items for noise compatibility; land for clear zones; and weather reporting equipment -- among others.

Upgrading: This category is oriented towards development which provides for accommodating larger (more critical) aircraft types and/or longer nonstop services.

Capacity Development: Those projects oriented towards development required to increase system capacity. Includes new runways and apron and terminal expansion; also Navaids and such safety related items as snow removal equipment.

New Airports- Two types: the first covers all new reliever airports and new commercial service airports which are constructed to increase metropolitan system capacity; the second covers a new airport which will be the sole National Airport System Plan airport serving the community.

We have cited these in some detail, because we feel it is important to understand the kind of creative planning being done to maximize the use of federal dollars in airport development.

We, as the organization representing the states' interests in airport development, have been discussing this program with the FAA for several months -- as recently as March 11, when directors from 31 states met here in Washington with the FAA officials responsible for the program.

We may not agree with all of the specifics of the program as it is now being tested, but we do feel that the FAA is running a true test of the program, and we have found them responsive to ideas and suggestions for improving it.

For several years, most states have had prioritizing programs which are used in the allocation of state funds. We feel it is the only fair, objective approach that responsible public officials can take to be sure that public funds are being spent responsibly.

Therefore, we look forward to being able to work with the FAA in the final development of their priority system for allocating airport development funds.

However, we point out that this kind of responsible, systematic approach to the allocation of federal funds can be negated by the legislative process. When Congress, for whatever reason, mandates arbitrary funding of specific projects without regard to their functional priority in the development of a national system, both responsibility and system need become words without meaning.

In conclusion and summary, we would like to make the following points:

- There is a national need for improving the safety of our commercial air carrier airports and those General Aviation and Reliever airports used by business aircraft through the installation of modern landing and navigational aids at airports that have never received the funding in the past to meet these real needs.
- There is needed work to be done in the development of the national system of airports — $1.4 billion in backlogged grant applications at present, with an expected billion dollars in additional applications to be received by the end of this year.
- Money spent on airports does not just buy concrete and asphalt -- it provides the jobs this nation so badly needs at this time to help those who are currently unemployed or facing unemployment.
- The funds we are discussing -- $1.3 billion for the FAA Facilities and Equipment program, and $993.5 million for the airport capital improvement program -- have already been collected and are fully supported by the on-going user taxes which continue to be collected.

Aviation users have put their money up front with not only the expectation, but, more importantly, with the promise that it would be spent for the purposes stated in the law. This promise was made to you, the Congress, as well as to the users being taxed to support the spending.

Congress has already agreed to these expenditures through the authorizing process. We ask you to support it with the necessary appropriations.

Thank you.

APPENDIX I - COMMERCIAL SERVICE AIRPORTS

Effects of Proposed Obligational Funding Levels on the Development of Commercial Service Airports

The following tables show the effects on capital investment resources that would be available to commercial service airports with the two different levels of A.I.P. funding proposed:

a. The $993.5 million already authorized by the Congress for airport capital investment in FY 1984; and

b. The $700 million obligational ceiling proposed by the Administration.

Methodolgy

FY 1982 enplanement funds actually received by each commercial service airport are shown in column one, with the percentage of the total enplanement funds given in the second column.

The third and fourth columns apply the percentage each airport received in FY 1982, to the two proposed FY 1984 spending levels (on the basis of 50 percent of total funding to go to commercial service airports as enplanement funds).

N.B. This is not a totally accurate projection for either level of funding. The actual entitlements for each airport will be based on its CY 1982 enplanements which are not yet available.

Also, no attempt was made to apply the funding "cap" of $12.5 million to the larger airports, with a redistribution of the "overages" that accrue with a straight percentage projection.

However, the method was consistently applied to both proposed funding levels, and the results are considered reliable for comparison.

Airport ID and City/Community	FY '82 Entitlements	Percent 1982	FY '84 @ 993500000	FU '84 @ 700000000	Difference ($)
ALABAMA					
BHM BIRMINGHAM	946377	.003924294	1949393	1373503	-575890
MOB MOBILE	640788	.002657123	1319926	929993	-389933
HSV HUNTSVILLE	526823	.002184550	1085175	764593	-320583
MGM MONTGOMERY	482222	.001999606	993304	699862	-293442
DHN DOTHAN	270216	.001120491	556604	392172	-164432
ALASKA					
ANC ANCHORAGE	3046726	.012633704	6275793	4421797	-1853996
JNU JUENEAU	421071	.001746034	867342	611112	-256230
ENA KENAI	229302	.009508349	4723272	3327922	-1395350
ARIZONA					
PHX PHOENIX	1857380	.007701904	3825921	2695666	-1130254
TUS TUCSON	1011700	.004195165	2083948	1468308	-615640
GCN GRAND CANYON	524520	.002175001	1080432	761250	-319181
YUM YUMA	151568	.000628499	312207	219975	-92232

	FT '82 Entitlements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
ARKANSAS					
LIT LITTLE ROCK	935783	.003880364	1927571	1358127	-569443
FSM FORT SMITH	329792	.001367532	679321	478636	-200685
FYV FAYETTEVILLE	322747	.001338319	664810	468412	-196398
CALIFORNIA					
LAX LOS ANGELES	6190501	.025669837	12751492	8984443	-3767049
SFO SAN FRANCISCO	4062766	.016846866	8368681	5896403	-2472278
SAN SAN DIEGO	1580044	.006551888	3254651	2293161	-961490
SJC SAN JOSE	1179474	.004890865	2429537	1711803	-717734
SNA SANTA ANA	1107008	.004590374	2280268	1606631	-673637
SMF SACRAMENTO	1084044	.004495150	2232966	1573303	-659663
BUR BURBANK	1028127	.004263282	2117785	1492149	-625637
OAK OAKLAND	1097893	.004552577	2261493	1593402	-668091
ONT ONTARIO	1039576	.004310757	2141369	1508765	-632604
FAT FRESNO RINGS	766173	.003177051	1578200	1111968	-466232
PSP PALM SPRINGS	548495	.002274416	1129816	796046	-333771
MRY MONTEREY	488869	.002027168	1006996	709509	-297487
SBA SANTA BARBARA	497100	.002061299	1023950	721455	-302496
TVL SOUTH LAKE TAHOE	248635	.001031002	512150	360851	-151300
LGB LONG BEACH	257270	.001066808	529937	373383	-156554
ACV ARCATA/EUREKA	232651	.000964722	479226	337653	-141573
RDD REDDINGIELD	217905	.000903575	448851	316251	-132600
SUU FAIRFIELD	231826	.000961301	477526	336455	-141071
BFL BAKERSFIELD	362452	.001502961	746596	526036	-220560
SCK STOCKTON	231826	.00961113	4774329	3363896	-1410433
SBP SAN LUISOBISPO	299087	.001240209	616074	434073	-182001
OXR OXNARD	166201	.000689177	342349	241212	-101137
SMX SANTA MARIA	221623	.000918992	456509	321647	-134862
VIS VISALIA	4017381	.016658670	8275195	5830535	-2444660
MOD MODESTOO SPRINGS	602617	.002498841	1241299	874594	-366705
IYK INYOKERN	442122	.001833325	910704	641664	-269040
CIC CHICO	380188	.001576506	783130	551777	-231352
STS SANTA ROSA	196074	.00081305	403883	284568	-119315
COLORADO					
DEN DENVER	4017381	.016658670	8275195	5830535	-2444660
COS COLORADO SPRINGS	602617	.002498841	1241299	874594	-366705
GJT GRAND JINCTION	442122	.001833325	910704	641664	-269040
ASE ASPEN	380188	.001576506	783130	551777	-231352
CONNECTICUT					
BDL WINDSOR LOCKS	1543074	.006398587	3178498	2239505	-938993
HVN NEW HAVEN	288560	.001196557	594390	418795	-175595
FLORIDA					
MIA MIAMI	4205409	.017438357	8662504	6103425	-2559079
TPA TAMPA	2017361	.008365289	4155457	2927851	-1227606
MCO ORLANDO	1794923	.007442916	3697269	2605021	-1092248
FLL FT LAUDERDALE	1711483	.007096920	3525395	2483922	-1041473
PBI WEST PALM BEACH	1140839	.004730659	2349955	1655731	-694224
JAX JACKSONVILLE	1003162	.004159761	2066361	1455916	-610445
FMY FT MYERS	893004	.003702974	1839453	1296041	-543412
SRQ SARASOTA/BRADN'N	903644	.003747095	1861369	1311483	-549886
DAB DAYTONA BEACH	721387	.002991339	1485948	1046969	-438979
TLH TALLAHASSEE	612941	.002541651	1262565	889578	-372987

	FY '82 Enplanements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
PNS PENNSACOLA	537136	.002227315	1106419	779560	-326858
GNV GAINESVILLE	442418	.001834552	911314	642093	-269221
MLB MELBOURNE	450655	.001868708	928281	654048	-274233
VPS VALPARISO	355175	.001472786	731607	515475	-216131
APF NAPLES	336406	.001394958	692945	488235	-204710
EYW KEY WEST	323719	.001342349	666812	469822	-196990
PFN PANAMA CITY	263742	.001093646	543268	382776	-160492
PIE ST PETE/CLEARWTR	192264	.000797251	396034	279038	-116997
GEORGIA					
ATL ATLANTA	9992765	.041436493	20583578	14502772	-6080805
SAV SAVANNAH	703262	.002916181	1448613	1020663	-427950
AGS AUGUSTA	449708	.001864781	926330	652673	-273657
CSG COLUMBUS	373164	.001547380	768661	541583	-227078
MCN MACON	280661	.001163803	578119	407331	-170788
ABY ALBANY	222981	.000924624	459307	323618	-135689
HAWAII					
HAWAII (State)	7448338	.030885646	15342445	10809976	-4532469
IDAHO					
BOI BOISE	875631	.003630935	1803667	1270827	-532840
IDA IDAHO FALLS	309184	.001282078	636872	448727	-188145
PIH PUCATELLO	256882	.001065200	529138	372820	-156318
LWS LEWISTON	224563	.000931184	462566	325914	-136651
TWF TWIN FALLS	151895	.000629855	312880	220449	-92431
ILLINOIS					
ORD CHICAGO (O'Hare)	7993161	.033144836	16464697	11600693	-4864005
MDW CHICAGO (Midway)	(above)				
MLI MOLINE	646842	.002682227	1332396	938779	-393617
PIA PEORIA	508156	.002107145	1046724	737501	-309223
SPI SPRINGFIELD	361051	.001497152	743710	524003	-219707
CMI CHAMPAIGN/URBANA	338602	.001404064	697469	491422	-206046
DEC DECATUR	172360	.000714716	355035	250151	-104885
INDIANA					
IND INDIANAPOLIS	1216053	.005042545	2504884	1764891	-739994
FWA FT WAYNE	527832	.002188734	1087254	766057	-321197
EVV EVANSVILLE	511647	.002121621	1053915	742567	-311348
SBN SOUTH BEND	452189	.001875069	931441	656274	-275166
LAF LAFAYETTE	144750	.000600227	298163	210079	-88083
IOWA					
DSM DES MOINES	911244	.003778609	1877024	1322513	-554511
CID CEDAR RAPIDS	578075	.002397074	1190747	838976	-351771
SUX SIOUX CITY	260786	.001081388	537180	378486	-158694
ALO WATERLOO	293871	.001218580	605330	426503	-178827
BRL BURLINGTON	150352	.000623457	309702	218210	-91492
DBQ DUBUQUE	166452	.000690218	342866	241576	-101289
KANSAS					
ICT WICHITA	897169	.003720245	1848032	1302086	-545946
FOE TOPEKA	195125	.000809114	401927	283190	-118737
MHK MANHATTAN	201462	.000835392	414981	292387	-122594

KENTUCKY	FY '82 Entitlements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
CVG CINCINNATTI (COV.)	1185487	.004915799	2441923	1720530	-721393
SDF LOUISVILLE	1052270	.004363395	2167516	1527188	-640328
LEX LEXINGTON	641590	.002660449	1321578	931157	-390421
PAH PADUCAH	151726	.000629154	312532	220204	-92328
LOUISIANA					
MSY NEW ORLEANS	1807507	.007495098	3723190	2623284	-1099906
SHV SHREVEPORT	784574	.003253353	1616103	1138674	-477430
BTR BATON ROUGE	577229	.002393566	1189004	837748	-351256
LFT LAFAYETTE	378978	.001571489	780637	550021	-230616
MLU MONROE	357503	.001482440	736402	518854	-217548
HUM HOUMA	322725	.001338227	664764	468380	-196385
ESF ALEXANDRIA	252208	.001045818	519510	366036	-153474
LCH LAKE CHARLES	213557	.000885546	439895	309941	-129954
MAINE					
PWM PORTLAND	577132	.002393164	1188804	837607	-351197
BGR BANGOR	444657	.001843837	915926	645343	-270583
PQI PRESQUE ISLE	134709	.00055859	277480	195507	-81973
MARYLAND					
BWI BALTIMORE/WASHING.	1365522	.005662341	2812768	1981819	-830949
SBY SALISBURY	186610	.000773806	384388	270832	-113556
MASSACHUSETTS					
BOS BOSTON	3272639	.013570486	6741139	4749670	-1991469
HYA HYANNIS	326626	.001354403	672800	474041	-198759
ACK NANTUCKET	263836	.001094035	543462	382912	-160550
MICHIGAN					
DTW DETROIT	2433274	.010089934	5012175	3531477	-1480698
GRR GRAND RAPIDS	800708	.003320255	1649337	1162089	-487247
MBS SAGINAW	470478	.001950907	969113	682818	-286296
LAN LANSING	454292	.001883790	935773	659326	-276446
AZO KALAMAZOO	362304	.001502348	746291	525822	-220470
TVC TRAVERSE CITY	312221	.001294671	643128	453135	-189993
MKG MUSKEGON	240402	.000996862	495191	348902	-146289
FNT FLINT	314301	.001303296	647412	456154	-191259
MQT MARQUETTE	156191	.000647669	321730	226684	-95045
DET DETROIT (City)	143704	.00059589	296008	208562	-87447
MINNESOTA					
MSP MINNEAPOLIS	2220335	.009206951	4573553	3222433	-1351120
RST ROCHESTER	408416	.001693558	841275	592745	-248530
DLH DULUTH	361307	.001498213	744238	524375	-219863
MISSISSIPPI					
JAN JACKSON	741261	.003073749	1526885	1075812	-451073
GPT GULFPORT	254452	.001055123	524132	369293	-154839
GTR COLUMBUS	170465	.000706858	351132	247400	-103731
MISSOURI					
STL ST LOUIS	2531899	.010498897	5215327	3674614	-1540713
MCI KANSAS CITY	1610812	.006679473	3318028	2337815	-980213

	FY '82 Entitlements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
SGF SPRINGFIELD	373835	.001550163	770043	542557	-227486
JLN JOPLIN	225234	.000933966	463948	326888	-137060
COU COLUMBIA	193225	.000801236	398014	280433	-117581
MONTANA					
BIL BILLINGS	648770	.002690222	1336368	941578	-394790
GTF GREAT FALLS	375577	.001557386	773632	545085	-228546
MSO MISSOULA	338352	.001403027	696954	491059	-205894
BZN BOZEMAN	269954	.001119405	556064	391792	-164273
HLN HELENA	209238	.000867636	430998	303673	-127326
FCA KALISPELL	159364	.000660826	328265	231289	-96976
BTM BUTTE	149361	.000619347	307661	216771	-90889
NEBRASKA					
OMA OMAHA	998545	.004140616	2056851	1449216	-607635
LNK LINCOLN	444285	.001842294	915160	644803	-270357
GRI GRAND ISLAND	205811	.000853426	423939	298699	-125240
NEVADA					
LAS LAS VEGAS	2391758	.009917782	4926658	3471224	-1455434
RNO RENO	1120203	.004645089	2307448	1625781	-681667
NEW HAMPSHIRE					
MHT MANCHESTER	226085	.000937495	465701	328123	-137577
LEB LEBANON	143821	.000596375	296249	208731	-87518
NEW JERSEY					
ACY ATLANTIC CITY	172971	.00071725	356294	251038	-105256
NEW MEXICO					
ABQ ALBUQUERQUE	1094120	.004536932	2253721	1587926	-665795
FMN FARMINGTON	184743	.000766064	380542	268122	-112420
NEW YORK					
JFK NEW YORK	11023341	.045709930	22706408	15998476	-6707932
BUF BUFFALO	1233461	.005114730	2540742	1790156	-750587
ROC ROCHESTER	1006388	.004173138	2073006	1460598	-612408
SYR SYRACUSE	996200	.004130892	2052021	1445812	-606208
ALB ALBANY	972628	.004033147	2003466	1411602	-591864
HPN WHITE PLAINS	345662	.001433339	712011	501669	-210343
ISP ISLIP	357926	.001484194	737273	519468	-217805
BGM BINGHAMPTON	381939	.001583767	786736	554318	-232418
ITH ITHACA	253735	.001052150	522656	368253	-154403
ELM ELMIRA	295078	.001223585	607816	428255	-179561
UCA UTICA	212528	.000881279	437775	308448	-129328
JHW JAMESTOWN	159149	.000659935	327823	230977	-96845
POU POUGHKEEPSIE	201643	.000836142	415354	292650	-122704
NORTH CAROLINA					
CLT CHARLOTTE	1238555	.005135853	2551235	1797549	-753686
RDU RALEIGH-DURHAM	1009701	.004186876	2079831	1465407	-614424
GSO GREENSBORO	944237	.003915420	1944985	1370397	-574588

	FY '82 Entitlements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
AVL ASHEVILLE	438364	.001817742	902963	636210	-266754
FAY FAYETTEVILLE	386354	.001602075	795831	560726	-235104
ILM WILMINGTON	289094	.001198771	595490	419570	-175920
INT WINSTON SALEM	143049	.000593174	294659	207611	-87048
ISO KINSTON	207937	.000862241	428318	301784	-126534
OAJ JACKSONVILLE	167309	.000693771	344631	242820	-101811
NORTH DAKOTA					
FAR FARGO	448404	.001859374	923644	650781	-272863
BIS BISMARCK	442650	.001835514	911792	642430	-269362
GFK GRAND FORKS	329065	.001364517	677824	477581	-200243
MOT MINOT	228195	.000946244	470047	331185	-138861
OHIO					
CLE CLEVELAND	1954185	.008103320	4025324	2836162	-1189162
CMH COLUMBUS	1137406	.004716424	2342884	1650748	-692135
DAY DAYTON	1014211	.004205577	2089121	1471952	-617168
TOL TOLEDO	573393	.002377660	1181102	832181	-348922
CAK AKRON	430569	.001785419	886907	624897	-262010
YNG YOUNGSTOWN	315871	.001309806	650646	458432	-192214
OKLAHOMA					
OKC OKLA.CITY(WRogers)	1074462	.004455417	2213228	1559396	-653832
TUL TULSA	1059117	.004391787	2181620	1537125	-644495
LAW LAWTON	246095	.001020470	506918	357164	-149754
OREGON					
PDX PORTLAND	1360601	.005641935	2802631	1974677	-827954
EUG EUGENE	532932	.002209882	1097759	773459	-324300
MFR MEDFORD	344800	.001429765	710236	500418	-209818
PENNSYLVANIA					
PIT PITTSBURGH	2718484	.011272600	5599664	3945410	-1654254
PHL PHILADELPHIA	2315443	.009601330	4769461	3360466	-1408995
MDT MIDDLETOWN	892455	.003700698	1838322	1295244	-543077
ABE ALLENTOWN	598243	.002480704	1232290	868246	-364043
AVP WILKES-BARRE/SCRAN	447529	.001855746	921842	649511	-272331
ERI ERIE	381432	.001581665	785692	553383	-232109
RDG READING	196079	.00081307	403893	284575	-119318
IPT WILLIAMSPORT	347481	.001440882	715758	504309	-211449
UNV STATE COLLEGE	367443	.001523657	756877	533280	-223597
LNS LANCASTER	156692	.000649746	322761	227411	-95350
JST JOHNSTOWN	252698	.001047850	520519	366748	-153772
AOO ALTOONA	270041	.001119765	556243	391918	-164326
PUERTO RICO					
SJU SAN JUAN	2150647	.008917979	4430006	3121293	-1308713
RHODE ISLAND					
PVD PROVIDENCE	879230	.003645859	1811080	1276050	-535030

	FY '82 Entitlements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
SOUTH CAROLINA					
CHS CHARLESTON	881012	.003653248	1814751	1278637	-536114
CAE COLUMBIA	771699	.003199965	1589583	1119988	-469595
GSP GREER	649131	.002691719	1337111	942102	-395010
MYR MYRTLE BEACH	338348	.001403011	696945	491054	-205892
SOUTH DAKOTA					
FSD SIOUX FALLS	521249	.002161437	1073694	756503	-317191
RAP RAPID CITY	396359	.001643562	816439	575247	-241193
ABR ABERDEEN	134709	.00055859	277480	195507	-81973
PIR PIERRE	134709	.00055859	277480	195507	-81973
TENNESSEE					
MEM MEMPHIS	1448568	.006006704	2983830	2102346	-881484
BNA NASHVILLE	1098916	.004556819	2263600	1594887	-668713
TYS KNOXVILLE	803968	.003333773	1656052	1166821	-489231
CHA CHATTANOOGA	555360	.002302883	1143957	806009	-337948
TRI BRISTOL/JOHNSON/K	490732	.002034894	1010833	712213	-298621
TEXAS					
DFW DALLAS-FT WORTH	4369310	.018117997	9000115	6341299	-2658816
IAH HOUSTON	3831697	.015888704	7892714	5561046	-2331667
DAL DALLAS(Love Field)	1503884	.006236080	3097773	2182628	-915145
SAT SAN ANTONIO	1255372	.005205588	2585876	1821956	-763920
AUS AUSTIN	1010598	.004190596	2081678	1466708	-614970
ELP EL PASO	1025080	.004250647	2111509	1487727	-623782
MAF MIDLAND	877238	.003637598	1806977	1273159	-533818
LBB LUBBOCK	835959	.003466429	1721949	1213250	-508698
CRP CORPUS CHRISTIE	718956	.002981258	1480940	1043440	-437500
HRL HARLINGEN	618009	.002562667	1273005	896933	-376071
AMA AMARILLO	685738	.002843515	1412516	995230	-417286
MFE MC ALLEN	389136	.001613611	801561	564764	-236797
SPS WICHITA FALLS	251168	.001041506	517368	364527	-152841
BRO BROWNSVILLE	301309	.001249423	620651	437298	-183353
ABI ABILENE	330563	.001370729	680910	479755	-201154
SJT SAN ANGELO	217981	.00090389	449007	316362	-132646
BPT BEAUMONT/PT ARTHUR	355978	.001476116	733261	516641	-216620
LRD LAREDO	165575	.000686581	341059	240303	-100756
CLL COLLEGE STATION	138729	.00057526	285760	201341	-84419
ACT WACO	138385	.000573834	285052	200842	-84210
UTAH					
SLC SALT LAKE CITY	1399855	.005804708	2883489	2031648	-851841
VERMONT					
BTV BURLINGTON	514369	.002132908	1059522	746518	-313004
VIRGINIA					
ORF NORFOLK	1029917	.004270705	2121473	1494747	-626726
RIC RICHMOND	917901	.003806214	1890737	1332175	-558562
ROA ROANOKE	728736	.003021813	1501085	1057634	-443451
PHF NEWPORT NEWS	337283	.001398594	694752	489508	-205244
CHO CHARLOTTESVILLE	248344	.001029795	511551	360428	-151122
LYH LYNCHBURG	213355	.000884708	439479	309648	-129831

WASHINGTON	FY '82 Entitlements	Percent 1982	FY '84 @ 993500000	FY '84 @ 700000000	Difference ($)
SEA SEATTLE	2324606	.009639326	4788335	3373764	-1414571
GEG SPOKANE	975707	.004045915	2009808	1416070	-593738
PSC PASCO	404989	.001679347	834216	587772	-246444
YKM YAKIMA	285441	.001183624	587965	414268	-173697
PUW PULLMAN/MOSCOW	181405	.000752222	373666	263278	-110389
ALW WALLA WALLA	186040	.000771442	383214	270005	-113209
EAT WENATCHEE	137359	.000569579	282938	199353	-83586
WEST VIRGINIA					
CRW CHARLESTON	517218	.002144722	1065391	750653	-314738
HTS HUNTINGTON	352270	.001460740	725623	511259	-214364
PKB PARKERSBURG	180398	.000748047	371592	261816	-109776
WISCONSIN					
MKE MILWAUKEE	1259572	.005223003	2594527	1828051	-766476
MSN MADISON	686580	.002847007	1414250	996452	-417798
GRB GREEN BAY	616383	.002555924	1269655	894573	-375082
CWA MOSINEE	328181	.001360852	676003	476298	-199705
ATW APPLETON	240052	.000995411	494470	348394	-146077
LSE LA CROSSE	320748	.001330029	660692	465510	-195182
OSH OSHKOSH	224724	.000931851	462897	326148	-136749
EAU EAU CLAIRE	134709	.00055859	277480	195507	-81973
WYOMING					
CPR CASPER	389140	.001613627	801569	564769	-236800
JAC JACKSON	186024	.000771376	383181	269982	-113199
CYS CHEYENNE	158434	.00065697	326350	229940	-96410

APPENDIX II - STATE APPORTIONMENT FUNDS

Effects of Proposed Obligational Funding Levels on the Development of General Aviation Airports

Federal funds for capital investments on general aviation airports come primarily from the set-aside as State Apportionments in the overall program. Although termed "State Apportionment," these funds do not go to the states. The term refers to an overall limit that is allocated within each state on the basis of the area/population formula. The funding goes directly to the sponsor of each general aviation airport.

The table on the following page shows the effects on the capital investment resources that would be available within each state for the development of general aviation airports with the two different levels of obligational ceilings being considered.

The State Apportionment total is set by law at 12 percent of the total A.I.P. funds available within a given fiscal year.

STATE APPORTIONMENTS - Basis: 99% of 12% of total

STATE	AREA/POP. (Percent)	$ 993500000 118027800	700000000 83160000	Difference
ALABAMA	.01552014	1831808	1290655	-541153
ALASKA	.080648015	9518708	6706689	-2812019
ARIZONA	.02132168	2516551	1773111	-743440
ARKANSAS	.01215626	1434777	1010915	-423862
CALIFORN.	.072978205	8613457	6068868	-2544589
COLORADO	.02038653	2406177	1695344	-710833
CONN'T.	.007516445	887149	625068	-262082
DELAWARE	.00162053	191268	134763	-56504
FLORIDA	.02955192	3487948	2457538	-1030410
GEORGIA	.019859425	2343964	1651510	-692454
HAWAII	.00297595	351245	247480	-103765
IDAHO	.013356365	1576422	1110715	-465707
ILLINOIS	.032680725	3857234	2717729	-1139505
INDIANA	.01688429	1992816	1404098	-588718
IOWA	.01395256	1646790	1160295	-486495
KANSAS	.01626946	1920249	1352968	-567280
KENTUCKY	.013429835	1585094	1116825	-468269
LOUISIANA	.01584874	1870592	1317981	-552611
MAINE	.00708882	836678	589506	-247172
MARYLAND	.010837945	1279179	901284	-377895
MASSACH.	.01372925	1620433	1141724	-478709
MICHIGAN	.03323536	3922696	2763853	-1158844
MINNESOTA	.02054185	2424509	1708260	-716249
MISSISS.	.012011352	1417673	998864	-418809
MISSOURI	.02012485	2375292	1673583	-701709
MONTANA	.021614915	2551161	1797496	-753665
NEBRASKA	.01386234	1636141	1152792	-483349
NEVADA	.016692265	1970151	1388129	-582023
NEW HAMP.	.003261375	384933	271216	-113717
N. JERSEY	.01715037	2024220	1426225	-597996
N. MEXICO	.01928643	2276335	1603860	-672475
NEW YORK	.045512025	5371684	3784780	-1586904
N.CAROL.	.0198935	2347986	1654343	-693643
N.DAKOTA	.010978855	1295810	913002	-382809
OHIO	.029534265	3485864	2456069	-1029795
OKLAHOMA	.01604021	1893191	1333904	-559287
OREGON	.01885301	2225179	1567816	-657363
PENNSYL.	.032050325	3782829	2665305	-1117524
PUERTO RICO	.0074188	875625	616947	-258677
R. ISLAND	.00222668	262810	185171	-77639
S.CAROL.	.011005445	1298948	915213	-383736
S.DAKOTA	.0119237	1407328	991575	-415753
TENNESSEE	.015701975	1853270	1305776	-547493
TEXAS	.067121345	7922185	5581811	-2340374
UTAH	.0466535	5506410	3879705	-1626705
VERMONT	.002412505	284743	200624	-84119
VIRGINIA	.017357235	2048636	1443428	-605209
WASHING'N	.01853409	2187538	1541295	-646243
W.VIRG.	.007512495	886683	624739	-261944
WICONSIN	.019195575	2265611	1596304	-669307
WYOMING	.01426916	1684158	1186623	-497534

APPENDIX III - TYPICAL AIRPORT PROJECTS, FY 1982

The following lists, totaling $94.2 million, are presented to show the scope and variety of airport projects funded with federal dollars. They are taken from actual lists of FAA grants made in FY 1982.

Where indicated by (D), the funding was Discretionary. Otherwise, it was from Enplanement Entitlements (commercial service airports only).

FY 1982 FEDERAL FUNDING FOR AIRPORTS - selected projects

STATE/City	Disc. $$ = (D), + Enplanement Entitle's	Project
ALABAMA		
Alexander City	110967 (D) 144746	Strengthen taxiway; construct apron.
Bessemer	1152979 (D)	Land; site preparation for runway extension and associated taxiways.
Birmingham	1500000 (D) 2446377	Land - noise compatibility; relocation assistance; clearing, erosion control and fencing.
CONNECTICUT		
Bridgeport	257490 (D)	Acquire new snow removal equipment.
FLORIDA		
Arcadia	415000 (D) 514477	Construct runway, apron and connecting taxiway; light (MI) runway.
Ft.Lauderdale	62600 (D)	Environ. Assess. Report, potential sites for new GA airport.
Ft.Lauderdale	750000 (D)	Land for clear zone, Ft.Lauderdale Executive Airport.
Ft.Lauderdale	500000 (D) 2211483	Land for clear zones, Ft.L'e-Hollywood International.
Gainesville	500000 (D) 1297318	Extend, light and groove runway; site prep. for taxiway extension; relocate ILS/MALSR.
Hollywood	62600 (D)	Environ. assessment report, poss. sites for new GA airport.
Jacksonville	301500 (D)	Overlay, mark and light runway and parallel taxiway; construct runway safety area; install VASI-2 and taxiway guidance signs.
Marathon	67114 (D)	Light taxiway; install taxiway guidance signs.
Melbourne	316390 (D) 767045	Overlay, mark and groove runway; construct/reconstruct parallel taxiways.
(Total,	12611041	
Naples	336272 (D) 672678	Construct aprons and edge taxiways.
Ocala	380183 (D)	Construct apron; install fencing.
Orlando (Int'l)	1000000 (D) 2294923	Land, noise compatibility; construct international arrivals building; acquire crash/fire/rescue vehicle; pave and mark taxiway; new tower airfield lighting controls; others.

Orlando (Exec.)	750000 (D)	Overlay and mark runway,incl. edge light relocation; also partial parallel and connecting taxiways.
Panama City	165640 (D) 429382	Construct parallel and connecting taxiways and apron.
Punta Gorda	561000 (D)	Overlay and mark runway and parallel and connecting taxiways.
Sanford	433500 (D)	Overlay and mark runway.
Sarasota	500000 (D) 1403644	Reconstruct terminal apron.
St.Petersburg	405067 (D) 597331	Land, approach protection; overlay, mark and light runway; install VASI-4; overlay taxiways.
Tampa	444141 (D) 2461502	Reconstruct, groove and mark runway; reconstruct/construct and light portions of taxiway.
West Palm Beach	500000 (D) 1640839	Overlay, mark and groove runway, incl. edge lighting replacement; relocate drainage canal.
MASSACHUSETTS		
Bedford	335370 (D)	Overlay apron.
Nantucket Island	618164 (D) 882000	Reconstruct runway.
Totals, previous pages	29422677	
Norwood	884530 (D) 1192500	Reconstruct runway; conduct feasilbility study.
Pittsfield	27000 (D)	Airport Master Plan.
Provincetown	153000 (D)	Reconstruct taxiway and apron.
Worcester	90000 (D)	Clear approaches.
MICHIGAN		
Allegan	315644 (D) 581580	Land for clear zone and approaches; improve drainage; rehab taxiway and apron; install taxiway sign; rehab runway and taxiways.
Detroit (Detroit City)	45512 (D) 355730	Install runway lights & security gate; rehab runway lights; con-truct apron.
Grand Rapids	38578 (D) 839286	(Partial) Construct crash/fire/ rescue and snow removal building; rehab runway and taxiway lights; construct and light taxiway; widen and light taxiways; install signs.
Hancock	1276331 (D) 1370700	Reconstruct and strengthen runway and taxiway; apply porous friction course.
Ironwood	258300 (D)	Improve drainage for runway and taxiways.
Jackson	426054 (D)	Construct taxiway and apron.
Lansing	308788 (D) 763080	Reconstruct and strengthen apron; land for clear zones and approaches; relocation assistance.

Marquette	16357 (D) 173050	Relocate access road; rehab apron; improve drainage; replace beacon.
Menominee	905000 (D)	Relocate road and utilities; extend city streets.
Pontiac	291597 (D)	Land for clear zones and approaches; install fencing.
Totals, previous pages .	39735294	
MINNESOTA		
International Falls	110700 (D)	Land for approaches; reconstruct apron.
Lakeville	500000 (D)	Land for airport development and clear zone (public acquisition of privately owned airport).
Mankato	375000 (D)	Reconstruct apron and taxiways; improve drainage.
St.James	315122 (D) 1414800	Construct and light runway, apron and taxiways; construct access road; install fence, beacon, and REILs.
MISSISSIPPI		
Bay St.Louis	200000 (D)	Expand apron.
Gulfport	256583 (D) 601200	Construct, mark and light parallel taxiway.
Pascagoula	166189 (D) 278640	Site preparation for new airport; road relocation.
Tupelo	2093503 (D)	Land for airport development, approaches and noise; pave, mark and light runway and taxiways; install fencing, wind cone and segmented circle; construct fire/crash service road.
MISSOURI		
Chesterfield	238624 (D)	Extend, light and mark taxiway.
Fulton	28260 (D)	Update Airport Master Plan.
Jefferson City	774442 (D)	Land for clear zones; extend and light apron.
Kansas City (Downtown)	720988 (D)	Overlay and mark taxiways.
K.C. Metro Area	64800 (D)	Update Metropolitan Airport System Plan.
Kirksville	177469 (D)	Expand apron.
Lee's Summit	41438 (D)	Expand apron.
Totals, previous pages	48093052	
Malden	40200 (D)	Airport Master Plan.
	74087 (D) 170550	Land for new airport.
St.Louis Metro Area	224820 (D)	Metropolitan Airport System Plan, Phase II, General Aviation.
St.Louis (Lambert Int'l)	4121815 (D) 6653714	Construct CFR Bldg.; install taxiway guidance signs; overlay/light runway; extend runway, taxiway, and lighting; construct and light taxiway; purchase land for clear zone.

West Plains	70487 (D) 394800	Land for new airport; grading for runway, taxiway, and apron.
NEW YORK		
Buffalo	1243789 (D) 2477250	Land for airport development; construct perimeter roadway system; extend runway safety area.
Central New York	18900 (D)	Regional Airport System Plan.
New York State	293109 (D)	(Two) Regional Airport System Plan & State Airport System Plan (continuous).
Onsonta	52000 (D)	Airport Master Plan.
Plattsburg	1048000 (D)	Rehab and light runway.
Poughkeepsie	35282 (D) 236925	Airport Master Plan Update; expand apron; construct taxiway; install fence; install taxiway signs.
Shirley	30000 (D) 138000	Install taxiway lights.
Upper Hudson Region	15300 (D)	Regional Airport System Plan.
Totals, previous pages	65432080	
NORTH CAROLINA		
Charlotte	500000 (D) 1738555	Strengthen and groove runway; replace runway lighting system.
Greenville	98200 (D)	Improve drainage in runway safety area.
Raleigh-Durham	2000000 (D) 3009701	Site preparation for new runway and associated taxiways; construct drainage and sediment control structures.
NORTH DAKOTA		
Dickinson	91892 (D) 678380	Strengthen runway, taxiway & apron.
Grand Forks	2299062 (D) 2628127	Construct and light runway and taxiway; improve drainage; land for approaches.
Minot	6540 (D) 234735	Land for clear zones and approaches.
Williston	268164 (D)	Land for airport development; construct and light taxiway.
PENNSYLVANIA		
Bradford	110000 (D)	Improve utilities.
Delaware Valley Region	94500 (D)	Regional Airport System Plan.
Franklin	465000 (D)	Overlay runway and taxiway.
Meadville	225000 (D) 847000	Construct and light taxiway.
Mount Pocono	171640 (D) 540000	Land for airport development, clear zone and approahces; extend runway (Phase I).

Philadelphia -Reliever	144000 (D) 279000	Airport Layout Plan update; install fence.
Washington County	388000 (D) 415000	Construct and light apron, taxiways and access road.
Wilkes-Barre/Scranton	77000 (D) 296411	Construct water and sewer lines.
RHODE ISLAND		
Providence	2690618 (D) 3686358	Land for clear zone.
Totals, previous pages	89414963	
SOUTH DAKOTA		
Mitchell	135000 (D)	Apply porous friction surface on runway.
Rapid City	452340 (D) 848700	Apply porous friction course and light runway extension; extend and light taxiway; relocate VASI and REILs.
Winner	39842 (D) 290381	Reconstruct and overlay runway.
WEST VIRGINIA		
Buckhannon	252000 (D)	Land for airport development; prepare plans and specifications for construction of new airport.
West Virginia (State)	63000 (D)	State Airport System Plan (Year 1)
Wheeling	499368 (D) 901251	Overlay and groove runway.
WISCONSIN		
Appleton	356328 (D) 596380	Construct and Light taxiways.
Wisconsin (State)	354483 (D)	State Airport System Plan Update.
Total, this report:	94204036	

NATIONAL BUSINESS AIRCRAFT ASSOCIATION, INC.

STATEMENT OF JOHN W. WINANT, PRESIDENT

ACCOMPANIED BY WILLIAM FLENER

Senator ANDREWS. Our next witness is Mr. John Winant of the National Business Aircraft Association. We are glad to have you here.

Mr. WINANT. Thank you very much, sir.

I am going to touch very briefly on the points which are stated on the summary page of our statement just inside the cover.

Senator ANDREWS. You may be assured your entire statement will appear in the record just as though read.

Mr. WINANT. Thank you, sir.

Last year when the Congress passed the Airport and Airway Improvement Act of 1982 we reached the end of a very protracted legislative effort, one which resulted and culminated in a massive program, massive needed program, to improve and modernize the Nation's airways and airports system.

We felt that that enactment was in effect a good faith bond established between the Congress, the administration, and the aviation users. We regret that that bond is being severely tested at this moment.

We lament the fact that the administration's budget proposal would reduce funds for these urgently needed programs to the point they could not be effectively carried out.

We further regret that action has taken place in the Senate Budget Committee to cut the originally authorized amount for facilities and equipment to about half of its authorized level.

There is no way in our view that the airways' modernization program can begin effectively at such a dramatically reduced level. We feel the amounts authorized in the 1982 act should be appropriated in full, or if this is simply not to be, then the taxes imposed on the users in that good faith bond agreement last year should be reduced.

We feel that there are three particular areas which merit comment by NBAA and they are as follows:

We see a very special need to provide funds for development of good reliever airports. The 1982 act sets 10 percent of the airport improvement funds aside for reliever improvements. We have growing congestion at a number of hubs, congestion which will become acute as we go into the latter part of the 1980's. The more the AIP funds are reduced, the less is available for reliever improvements.

We support the FAA Administrator's position that in order to mount the improvement program effectively, cost savings must be made through the closing of a number of excess FAA facilities; and we believe that the program which would result in the reduction of a number of flight service stations to a 61 regional level is a very effective means of doing so.

Finally, we urge, Mr. Chairman, that the Congress reduce wherever possible the practice of permitting place naming of specific areas or airports' improvement projects. They think that this can result in severely misplacing priorities and not using funds to their maximum extent.

We thank you very much for the opportunity to make this statement to you.

Senator ANDREWS. Thank you very much.

The problem we face with place naming is the choice. Either you want the bureaucrats downtown to name the places or you want the people's branch, which is the Congress, to name the places.

We also think that you get a chance to testify before us and make your case for specific areas that need attention more so than those guys downtown, which is why it is done. But it is an ongoing discussion and it has been around for decades. It sure is not going to go away.

Mr. WINANT. We appreciate it is not going to go away, but we wanted to make the point and urge that even though we appreciate that place naming will obviously continue, that it be kept really to a minimum set of needs.

Senator ANDREWS. Thank you.

[The statement of Mr. Winant follows:]

STATEMENT OF JOHN H. WINANT

Summary

1. The passage of the Airport and Airway Improvement Act of 1982 provided for increased user taxes which were to be expended in a major set of programs to improve and modernize the nation's airways-airports system.

2. The Administration's FY84 budget proposal would reduce funds for these urgently needed programs to the point they could not be effectively carried out.

3. Airport-airways improvements are funded by dedicated user tax monies, not by general revenue, and the monies should not be held "hostage" to overall Federal budget manipulations.

4. The amounts authorized in the 1982 act should be appropriated in full.

5. There is special need to provide funds for development of good reliever airports.

6. In order to exact needed cost savings within the improvement programs, it is necessary to eliminate a number of excess FAA facilities and to consolidate others. The Flight Service Station (FSS) program is a good example.

7. "Place naming" of specific improvement projects should be eliminated wherever possible from appropriations bills.

Mr. Chairman and Members of the Subcommittee, my name is John H. Winant and I am President of the National Business Aircraft Association. With me is William M. Flener, Director of Government Relations for NBAA.

The National Business Aircraft Association (NBAA) represents business aviation in the United States. Business aviation accounts for more than 30% of all general aviation activity, providing on-call air transportation to all of our nation's airports, and linking with the rest of the nation many communities which enjoy little or no air carrier service. NBAA's membership consists of more than 2,500 companies which own and operate aircraft of all sorts, turbojets, propeller-driven small airplanes and helicopters

to satisfy the day-to-day transportation demands which active, productive corporations generate. Without our national business aircraft fleet, many of our nation's smaller communities would be out of the mainstream of American economic life, essentially cut off from the means of maintaining a highly productive national economy.

NBAA was signatory to the joint statement of position presented earlier today by a large number of leading organizations in the aviation community. We fully support the principal point made in that statement: that there is proven need and full justification for appropriating for Fiscal 1984 the full authorized Aviation Trust Fund expenditures which were agreed to in the Airport and Airway Improvement Act of 1982. Our statement will deal with specific aspects of those authorized expenditure levels and with reasons why they should be fully appropriated now.

The act passed last year imposed new and significantly higher taxes on aircraft operators, shippers and passengers. Passage of the act brought the Congress, the Administration and most aviation system users into final agreement not only on tax levels but signalled culmination of an extraordinarily long process of identifying and giving priority to requirements for major improvements in the nation's airways and airports sytem. A bond of good faith was, in NBAA's view, established through that protracted legislative effort. Today that bond is being severely tested and we urge that the Congress do what is necessary to insure that it is not broken.

The 1982 act authorized expenditures from the trust fund in accordance with the following schedule:

(Figures below are in millions of dollars)

PROGRAM	FY83	FY84	FY85	FY86	FY87
Airport Development	$ 600*	793.5*	912	1017	1017.2
Facilities and Equipment (Airway)	$ 725	1393	1407	1377	1164
Operations and Maintenance	$ 1464	1246	1268	1302	1363
Research and Development	$ 134	286	269	215	193
Weather Services (NOAA)	$ 26.7	28.6	30.1	32.7	35

*Later in the year, as a result of Senate amendments to other legislation, the Airport Development authorizations were increased for fiscal years 1983 and 1984, to $800 million and $993.5 million respectively.

The schedule not only sets priorities to meet improvement needs, but it accommodates tradeoffs as well. In particular, it signals the fact that most aviation users accepted with some reluctance a greatly increased share of funding the operations and maintenance costs of the Federal Aviation Administration (FAA). Opposed to substantial increase for many years on grounds that the general public was the principal beneficiary of the system's existence, these users agreed to accepting a very large direct share of cost so as to get the needed improvement program moving ahead. At stake was the capability of the airways-airports system to meet the long range demands forecast to be placed on it between now and the end of this century.

Acceptance of the burden of supporting maintenance and operations costs closed the ring fully and initiated a new era, one in which the trust fund was to be the source of virtually all FAA costs associated with provision of the nation's air transportation system. The money in the fund is, then, the users' money, put there through various special user taxes. We hope that the taxes will not only be guarded from all purposes except those intended; we feel we also have every good reason to ask that they be expended for the specific programs and at the authorized levels.

If trust fund monies were not to be spent as intended and at the levels which were set in 1982 so as to match the prospective inflow of taxes, then we feel it would be entirely reasonable to ask that the tax levels be cut.

During the decade of the 1970's we and other aviation organizations came before this Subcommittee on many occasions. We argued then that succeeding Administration's failure to seek trust fund appropriations at the authorized levels was tantamount to holding dedicated user tax funds as a hostage to a slightly better balanced total Federal budget. If the appropriations requests of the Administration for Fiscal 1984 are granted, many of us in the aviation community will have a saddening sense of <u>deja vu</u>; nothing fundamental will have taken place, even despite the good faith agreements which we felt were reached last year.

Accordingly, we urge that the airport improvement program be given an appropriation level of $993.5 million for FY84. As noted in the joint associations statement, there are a large number of airport improvement projects backlogged and a

requirement to provide, beginning right now, for the demands which we know will exist over the next two decades. The bold National Airways System Plan (NASP) program which has been proposed for modernizing the air traffic control system recognizes that even that extraordinary effort may not do the full job: lack of runway capacity may in the final analysis be the true determinant for satisfaction of future needs.

NBAA fully supports the requirement for improvement projects at major "hub" airports which are the focal point for air carrier service. But we also point out their reliever airports are a critical element of our national airport system. Existence of a strong network of good reliever airports will continue to furnish a strong incentive for general aviation aircraft, including business-use craft, to avoid the necessity for using more congested "hub" facilities.

Under the Airport and Airway Improvement Act of 1982, not less than 10% of the airport funding is to be distributed to reliever airports. This makes available considerably more funding for relievers than had previously been the case. However, it leaves a substantial need that is critical to the present development of relievers.

For example, in just two major metropolitan areas, Atlanta and Denver, $5.67 million is being made available in FY83 for reliever airports. However, this is only 30% of the $18.85 million needed and requested for FY83. And this immediate $18.85 million need which is only being 30% met this year is but a small portion of the $154 million total funding needed for the orderly development of the reliever airports in these two metropolitan areas.

The FAA's request for $700 million for airport funding for FY84 would provide only $70 million for reliever projects. The inadequacy of this amount is apparent when considering that just the two areas of Atlanta and Denver had $13 million carryover needs which were not met in FY83 and have $25.8 million additional needs in FY84. When the Los Angeles area is added, the FY84 needs alone total $35 million and this is for just three metropolitan areas.

The Facilities and Equipment authorizations established last year are intended to carry out the National Airspace System Plan (NASP), a multi-year, multi-billion

dollar program to upgrade facilities in the national airspace system to enhance its safety level, and to expand its capacity to meet future needs. FY84 authorization for this program and for other needed airways improvements totals $1.393 billion. The administration has proposed an appropriation of only $1.000 billion and action by the Senate Budget Committee may point to an even lesser level. The Administrator of the FAA has stated in testimony, however, that while delays in implementing the NASP may require spending not more than $1.000 billion in FY84, FAA could prudently spend the balance of $393 million on other equipment needed to upgrade the airways system. We join the many other aviation organizations which strongly support an appropriation at the full authorized amount of $1.393 billion.

We further feel that there is urgent need to commit by appropriation the full authorized amount of $286 million for system Research and Development. This program provides the undergirding on which the NASP will rest and it is essential to the smooth implementation of the program that the requisite research/development program be carried out. Such cannot be the result if the cut backs in the Administration budget proposal are enacted.

Key leaders of both Houses of Congress share the same concerns which we have expressed with respect to question of abrogating the good faith contained in the 1982 airport-airways act.

Senator Nancy Landon Kassebaum, Chairman of the Subcommittee on Aviation of the Senate Committee on Commerce, Science and Transportation, recently spoke as follows on the subject:

> "I consider the Administration's FY84 budget request for aviation both unacceptable and indefensible.
>
> "The total authorized amount for ADAP in FY 1984 is $993.5 million. Unfortunately, the DOT proposes to obligate only $700 million for this program in FY 1984. . .it is inconceivable that the full authorized amount could not be put to good use in making much needed improvements to our nation's airports. Certainly Congress has clearly expressed its will that the full $993.5 million be used for this purpose. . .Section 506 of the Airport and Airways Improvement Act of 1982 specifies an authorization

level of $1.393 billion for FAA F&E in FY 1984. The DOT has requested only $1 billion from the Trust Fund for this purpose in FY 1984. This shortfall raises serious questions concerning the pace of the planned modernization of the nation's air traffic control system and airways facilities."

Two other important matters related to the budgetary-appropriations process merit comment in this statement. One relates to the closing of facilities which no longer play an essential role in the carrying out of FAA's statutory missions. The other concerns "place naming" in appropriations bills, which is the practice of giving FAA specific instructions as to precisely where airways or airports system improvements are to be made.

As to the first point we feel that consolidation of Flight Service Stations (FSS) is a classic example. We have been involved for the better part of a decade in working with FAA and others in the aviation community to put together a consolidation plan which would provide improved service to airmen but which could necessarily result in FSS closings. We support the current FAA effort to make consolidations so that there will eventually be 61 areas in the nation served by a highly-automated, full service FSS facility easily reached by telephone or other communications device.

We continue to feel, as we have for many years, that political considerations related to closing many Flight Service Stations in the process of consolidation pose much greater problems than any operational or technological challenge. We urge that the program go forward in the knowledge that if it is permitted to be completed in orderly fashion the 61-region plan will provide proper manning, the latest in computer capabilities and sufficient communications to support aviation users properly and safely.

Dr. Rivlin of the Congressional Budget Office touched on the subject in recent statements on the FAA FY84 budget. After observing that the NASP appeared to offer good value for the money spent, she observed that it was essential to recoup some of the cost through savings in FAA operating expenses. She then said:

> "The closure of hundreds of facilities and a substantial reduction in the work force will be necessary to guarantee the success of this $11 billion investment."

As to the second matter, we simply observe that the practice of "place naming" often results in establishment of flawed priorities in the allocation of scarce resources. The result can be that equipment needed very badly at the key point in the air transportation system cannot be timely provided. The necessary funds were allocated elsewhere because political considerations prevailed. Provision of the full authorized amounts in the airports and airways programs will help reduce "place naming" and perhaps even offers the chance of healthy compromise on the subject.

Mr. Chairman and members of the Subcommittee, we thank you very sincerely for the opportunity to present this statement to you.

REGIONAL AIRLINE ASSOCIATION

STATEMENT OF ALAN R. STEPHEN, VICE PRESIDENT, OPERATIONS

Senator ANDREWS. Our next witness is Mr. Alan Stephen of the Regional Airline Association.

Mr. STEPHEN. Thank you, Mr. Chairman.

I want to say, and I will summarize my comments here, that words that have been spoken by these other associations reflect our views succinctly.

I would like to highlight that our ongoing experience with the limited air traffic capacity resulting from the controller's strike has definitely showed how difficult it is to try to balance competing demands for use of the air space between the general aviation and the scheduled airlines and regional airlines and we don't want to repeat that and that is where we are headed with the type of facilities budget that apparently the Administration requests and maybe the Congress of the United States wants to cut even further.

I will say that the numbers that have been said already are very accurate; $1.4 billion in the backlog of requests for airport grants-in-aid moneys and another $1 billion expected, we have asked for $1.393 million, it will not meet the request for airport capacity.

On the equipment side the record of the Administration is perhaps more misleading, worse than we have come to recognize, that we are 8 months into a revitalization program. We lost $100 million from the F&E budget in 1983.

They requested $725 million, the authorization level was $725 million, $625 million was voted.

They requested $1 billion rather than $1.4 billion for 1984, a loss of another $400 million. They were asked to accept a rollover of about $289 million in programs into the 1985 budget which in fact has to be absorbed and these other programs have to be cut.

So we are 8 months in the program for F&E and revitalization of our air traffic control system and we are nearly $1 billion short of what we agreed to.

In terms of what that facility will mean in our testimony, we have identified approximately one-half of a billion dollars' worth of programs that are not going to be funded this year that are part of the airspace modernization plan, part of bringing safety to our airways system.

One of the programs important to us because the Carter and Reagan administrations proposed it to this committee and said they were going ahead with it was a program to install precision approach systems at 170 airports.

Two years ago Secretary Trent testified the program was going to start, and 2 years later we still have not one precision approach installed at one of these airports.

We have identified 150 airports that are being really served by the airlines that do not have a full precision approach aid system. About 115 of these airports serve essential air service communities and we, on the one hand say it is a priority of the U.S. Government to have service maintained and reliable and safe and on the other hand, we don't even have the type of facility investments in those airports that will maximize the use of those facilities.

We certainly would like to get on with that program and make sure the money is forthcoming.

In addition, as Mr. Winant said, we have an important program of facilities modernization and consolidation. There is $97 million in that program that is being developed. We don't have the money coming from the administration this year.

Finally, I would like to close with reiteration of the penalty clause. We would rather have the money. We paid for it. Sort of like Reagan said, "The microphone is ours. I paid for it."

It is sitting there, it is money collected for a purpose. But if the money isn't spent, then we are essentially giving the administration a green light that it is OK to use the trust fund for operation and maintenance rather than capital investment. That was the primary reason that the trust fund was created in 1970.

I would like to conclude by saying we are looking forward to your being with us 2 weeks from tomorrow as luncheon speaker. I am sure our members will be very much interested in your views on deregulation.

Senator ANDREWS. Thank you.

[The statement of Mr. Stephen follows:]

STATEMENT OF ALAN R. STEPHEN

I am Alan R. Stephen, Vice President of Operations for the Regional Airline Association (RAA). On behalf of the 140 short haul passenger and cargo airlines members of the RAA, I appreciate this opportunity to appear before the subcommittee to offer testimony on the Fiscal Year 1984 appropriation for the U.S. Department of Transportation.

Earlier, the RAA joined thirteen other aviation organizations in appearing before this Subcommittee to urge full funding of sorely needed airport construction grants-in-aid, air traffic control and air navigation modernization and FAA research and engineering at the levels specified in the Airport and Airways Improvement Act. I hardly need recant what the joint statement has made so clear. From our perspective, the funding levels requested by the Administration are unacceptable. Indeed they suggest that the Administration does not take seriously the urgent safety and capacity needs that remain unmet today in the National Aviation System.

NATIONAL AVIATION SYSTEM NEEDS

For the first time in nearly three years, the aviation industry is seeing positive signs for the future. Starting with the doubling of fuel prices in 1980, and continuing with the air controllers strike in 1981, the high interest rates, low yields and deep recession in 1982, our industry has suffered one shock after another. Despite it all, basic air service to our nation's small communities and isolated areas has been maintained, particularly by the regional/commuter airlines.

Today, "regionals" provide service to a record 734 communities, 94 percent of all points receiving scheduled air transportation. At 343 of these communities, regionals

provide the only scheduled service. While the major airlines suspended all service to 55 cities in the past 18 months, regionals have come in to replace that lost service in every case. We can only do so as long as the National Aviation System can accomodate the growing demand for service by users such as the regional airlines.

Last year, FAA Administrator J. Lynn Helms unveiled an extraordinary multi-year plan to revitalize our nation's air traffic control and air navigation systems. The RAA vigorously endorsed this plan because we view airport access and airside congestion (and with them costly delay and diversion) as the greatest enemies to scheduled air transportation. Our ongoing experience with limited airport and airways capacity stemming from the air controllers strike in August 1981, has been a sobering reminder of how difficult it is to balance free market forces, economic levels of air transportation and the service needs of communities when there is too little hub access to go around.

Just eight months ago, we joined together... the Administration, the Congress and the aviation community... to enact legislation that would assure that our national system of airports and airways would be modernized. The users agreed to pay higher taxes and 100 percent fund all capital improvements to the system. The users also agreed to underwrite a substantial proportion of all operations and maintenance costs associated with the National Aviation System. Simply stated, the aviation community put its wallet where its mouth was.

UNCONSCIONABLE LEVELS OF FUNDING

It would be an understatement to describe as "shocked" how many of us felt when the Administration submitted its 1984 Budget.

The ink was hardly dry, literally, on the airport/airways legislation when the Administration requested appropriations for capital improvements at levels nearly $700 million less than those specified in the Act.

Despite the fact that there is today an unfunded backlog of requests for airport grants-in-aid totalling nearly $1.4 billion, with the expectation that another $1.0 billion in new requests will be submitted this year, the Administration requested only $700 million for airport construction. But its poor record on airports is only bested by its even worse record on appropriations for facilities and equipment. The Administration would have us believe that its request for $1.0 billion, rather than the $1.393 billion authorized by the Airport and Airways Improvement Act, reflects only minor delays in the procurement process, a "roll-over" if you will of programs that will be funded in the future.

Let's set the record straight.

In less than eight months, the Administration will have underfunded the facilities and equipment budget, those critical items of safety and cost savings, by more than three quarters of a billion dollars!

F&E FUNDING LEVELS: AUTHORIZED VS REQUESTED

(In $m)	Authorized	Requested	Difference
1983	$ 725	$ 625	<$ 100>
1984	1,393	1,000	<$ 393>
Rollover of 1984 programs into 1985		280	<$ 280>
TOTAL FUNDING "GAP"			<$ 773>

Note: CBO budget projections show no increase in levels in out years over authorized amounts.

The recent action of the Senate Budget Committee to cut the facilities and equipment appropriation another $400 million

below that requested by the Administration is, frankly, unconscionable. At the $600 million level, there would be no meaningful program of rebuilding our air traffic control system. There would be no meaningful program of installing precision approach aids, lighting, weather and other safety related equipment on airports that critically need them. When the budget resolution goes to conference, this serious breach of faith must be corrected.

AIRPORT/AIRWAY ACCESS: FINDING SOLUTIONS

There should be no mistake in the mind of Congress that the number one priority of the aviation industry is to rebuild our national airport and airways system. Already there are serious runway, ramp, terminal and passenger-handling constraints at too many airports, restricting access particularly for regional airlines. Airside congestion and delay also impact the regionals. A ten minute enroute delay is the same as increasing the operating cost of a regional flight by 23 percent, since the average stage length of the regionals is only 36 minutes.

While such problems of access and capacity do exist, so do reasonable solutions for increasing capacity. For example, regionals make use of low altitude airspace that is uneconomic for jet operations and they can use the secondary and reliever runways at major hubs that are too short for jets.

Further, regional airlines do not need extensive and expensive improvements such as 10,000 foot runways, large ramps, long concourses and jetways that are required for jet operations. The fact that regionals make efficient use of hub airports is illustrated by the example of one regional carrier that turns 52 flights daily at a single gate orig-

ionally used by a jet carrier turning six flights a day. On the airspace side, we are working with the FAA to develop special low altitude procedures using tower enroute clearances and discrete area navigation airways to keep regional and major airline operations separate. There is little reason for all air carrier flights to use the same airspace or to land on the same runways when alternatives exist. That way regional airlines do not have to contribute to the congestion of jet operations and they do not have to share in the same costly delays.

TRUST FUND CAN BE SPENT MEANINGFULLY

Regional airlines serve nearly three times as many airports as do the majors. Many of these airports are poorly equipped. They need major improvements in groundside facilities. They lack precision approach and other air navigation aids such as Microwave Landing Systems (MLS) that were designed to be cost effective at such locations.

In 1981, Deputy Secretary of Transportation Darrell Trent, in testimony before this Subcommittee, committed the Administration to a multi-year program "to provide safety improvements at 127 commuter airports in the United States". This program was to include full precision landing systems at 88 locations and approach aids and lighting at 37 other airports. Secretary Trent described this program as promoting "more reliable service" and providing "increased protection for passengers using commuters".

Two years later, not one airport has been upgraded.

Attached to our testimony is a list of 150 airports served by regional airlines that we believe should be upgraded with

full approach aids. One hundred and fifteen of these airports serve Essential Air Service communities. It seems somewhat incongruous that on one hand, minimum levels of scheduled air transportation are mandated for these communities, while on the other hand, these airports remain a low priority in being upgraded to minimum standards.

At other locations, we need radar. For example, several member airlines have described serious air traffic congestion and delay problems in high density terminals like North Philadelphia-Trenton and Poughkeepsie-Stewart due to the lack of low altitude radar coverage. It is equipment programs such as these that can and should be undertaken now.

I believe FAA Administrator Helms testified that there are 98 separate programs that comprise the National Airspace Modernization Plan. Some of these programs are hardware such as landing aids. Other programs include computers, sector suites, physical plants and facilities and communications lines to name a few. While some of these programs may be delayed, others may move ahead faster than the National Airspace Modernization Plan originally called for. Thus, we urge the Congress to appropriate the full $1.393 billion authorized for F&E. The funds can be spent wisely. To not do so now raises the question of whether this government was serious in committing to airport and airways revitalization while it raises the very real possibility that the Airspace Modernization Plan will be critically delayed.

RAA RECOMMENDED F&E PROGRAMS THAT COULD BE UNDERTAKEN WITH A FULL APPROPRIATION OF $1.393 BILLION

1. Purchase of Precision Approach Aids (MLS/ILS) for Commuter Airport Program Systems for 127 airports.....$ 95.0m

2. Procurement of ASR-9s Terminal Radars
   44 Systems.....$ 204.0m

3. Radar Microwave Link (RML) System
   Replacement/Expansion/Netting
   373 Systems.....$ 104.0m

4. Various Programs Related to Facilities
   Construction and Consolidation.....$ 94.9m

TOTAL: $ 497.9m

PENALTY CLAUSE MUST BE ENFORCED

This is not the first time that the use of Aviation Trust Fund monies for the important purposes they were intended has been restricted by the unified budget process. It's been too easy to let the taxes collect in the Trust Fund to serve as an offset to other budget deficits. That is the reason why the so-called "penalty clause" was written into the Airport and Airways Improvement Act. If the capital investments to the National Aviation System are not made at the levels specified, then the two-for-one penalty must be applied to the amount of monies that may be appropriated from the Trust Fund for FAA operations. The Trust Fund was created, after all, for capital improvements. To restrict such investments while permitting the Administration to siphon off these monies contrary to the intent of the law sends this Administration a clear message.

It also sends that same message to the aviation community.

Thank you for your attention and interest in the views of the Regional Airline Association. I would be pleased to answer any questions you may have.

RAA RECOMMENDED SITES FOR PRECISION APPROACH INSTALLATIONS

STATE	CITY	BEST AVAILABLE INSTRUMENT APPROACH
Alabama		
	Anniston*	LOC/DME
	Auburn*	RNAV
	Gadsen	VOR/DME
Arizona		
	Douglas	VOR/DME
	Flagstaff*	VOR/DME
	Grand Canyon*	VOR
	Kingman*	VOR
	Lake Havasu*	VOR/DME
	Page*	VOR
	Prescott*	RNAV
	Scottsdale	VOR/DME
	Winslow*	VOR/DME
Arkansas		
	Camden	VOR/DME
	El Dorado*	LOC/OM
	Fayetteville*	LOC/OM
	Harrison*	LOC/OM
	Jonesboro*	VOR
California		
	Calexico	VOR/DME
	Blythe*	VOR/DME
	Imperial/ El Centro	VOR/DME
	Inyokern	NONE
	Lake Tahoe*	RNAV
	Lancaster	NDB
	Mammoth Lakes	NONE
	Palm Springs	VOR/DME
	San Luis Obispo*	LOC/VOR
Colorado		
	Alamosa*	VOR/DME
	Aspen*	Private MLS
	Cortez*	VOR
	Gunnison*	VOR/DME
	Lamar*	VOR/DME
	Montrose*	VOR/DME
	Steamboat	VOR/DME
Florida		
	Key West*	VOR/DME
	Marathon	NDB
	Marco Island	NDB
	Naples	NDB
	Punta Gorda	VOR/DME
	Vero Beach	VOR/DME

* Essential Air Service Point (EAS)

STATE	CITY	BEST AVAILABLE INSTRUMENT APPROACH
Georgia		
	Athens*	VOR/DME
	Gainesville	LOC/OM
	Moultrie*	VOR/DME
Idaho		
	Sun Valley*	NONE
Indiana		
	Elkhart*	SDF
Iowa		
	Clinton*	LOC/OM
Kansas		
	Dodge City*	VOR/DME
	Garden City*	LOC/DME
	Goodland*	LOC
	Great Bend*	LOC
	Hays*	LOC
	Independence*	NDB
	Lawrence	VOR/DME
	Parsons*	NDB
Kentucky		
	London*	VOR
	Murray	NDB
Louisiana		
	Patterson*	LOC/DME
Maine		
	Augusta*	VOR/DME
	Lewiston*	NONE
	Rockland*	LOC
Maryland		
	Cumberland*	LOC
Michigan		
	Manistee*	VOR
	Menominee/ Marinette*	VOR
Minnesota		
	Brainerd*	LOC
	Fairmont*	VOR/DME
	Mankato*	VOR/DME
	Worthington*	VOR

* Essential Air Service Point (EAS)

STATE	CITY	BEST AVAILABLE INSTRUMENT APPROACH
Mississippi		
	Natchez*	LOC
	Tupelo*	VOR
	University/ Oxford*	RNAV
Missouri		
	Ft. Leonard Wood*	LOC
	Jefferson City	LOC
	Kaiser/ Lake Ozark	NDB
	Kirksville*	LOC
	Poplar Bluff*	SDF
Montana		
	Glasgow*	NDB
	Glendive*	NDB
	Harve*	VOR/NDB
	Lewistown*	VOR
	Miles City*	VOR/DME
	Sidney*	NDB/DME
	Wolf Point*	NDB
Nebraska		
	Alliance*	VOR
	Chadron*	VOR
	Columbus*	LOC
	Hastings*	VOR
	Kearney*	LOC
	McCook*	VOR/DME
	Norfolk*	LOC
	Sidney*	VOR/DME
Neveda		
	Elko	VOR/DME
	Ely	VOR
New Hampshire		
	Berlin	VOR/DME
	Laconia	LOC
New Jersey		
	Atlantic City * (Bader Field)	VOR/DME
	Cape May	LOC
New Mexico		
	Alamogordo*	NDB
	Carlsbad*	VOR/DME
	Clovis*	LOC
	Farmington*	VOR/DME
	Gallup*	LOC
	Silver City*	LOC/DME

* Essential Air Service Points (EAS)

STATE	CITY	BEST AVAILABLE INSTRUMENT APPROACH
New York		
	Ogdensburg*	LOC
	Oneanta	LOC/OM
	Plattsburgh*	LOC
North Carolina		
	Greenville	SDF
	New Bern*	LOC
North Dakota		
	Devils Lake*	VOR/DME
	Williston*	VOR/DME
Ohio		
	Gallion	VOR/DME
Oklahoma		
	Enid*	LOC
	McAlester*	LOC
	Ponca City*	LOC
	Stillwater*	VOR
Rhode Island		
	Newport	VOR/DME
	Westerly	LOC
South Carolina		
	Hilton Head	RNAV
South Dakota		
	Brookings*	VOR
	Mitchell*	VOR
	Yankton*	VOR
Tennessee		
	Clarksville*	LOC
Texas		
	Brownwood*	LOC
	Killeen	LOC
	Paris*	VOR
Utah		
	Cedar City*	VOR
	Logan	VOR/DME
	Vernal*	VOR
	St. George*	VOR/DME

* Essential Air Service Points (EAS)

STATE	CITY	BEST AVAILABLE INSTRUMENT APPROACH
Vermont		
	Montepelier*	LOC
	Rutland*	LDA
	Springfield	LOC/DME
Virginia		
	Danville*	LOC
Washington		
	Bellingham	LOC
	Burlington/ Mt. Vernon*	VOR
	Pullman*	VOR
	Richland	LOC
	Wenatchee	VOR
West Virginia		
	Elkins*	LDA
	Greenbriar*	VOR
Wisconsin		
	Hayward*	VOR/DME
	Manitowoc*	VOR
	Marshfield*	SDF
	Sheboygan	VOR/DME
	Stevens Point*	VOR
	Wisconsin Rapids*	SDF
Wyoming		
	Cody*	VOR
	Gillette	VOR
	Laramie*	VOR/DME
	Rawlins	NDB
	Riverton*	VOR
	Worland*	VOR

KEY

SYMBOL	APPROACH
LOC	Localizer
DME	Distance Measuring Equipment
RNAV	Area Navigation
OM	Outer Marker
NDB	Non-Directional Beacon
SDF	Simplified Direction Finding (same as Localizer)
LDA	Localizer Directional Aid

* Essential Air Service Points (EAS)

AIRCRAFT OWNERS AND PILOTS ASSOCIATION

STATEMENT OF W. LAWRENCE GRAVES, VICE PRESIDENT, FEDERAL LEGISLATIVE AFFAIRS

Senator ANDREWS. Our next witness is Lawrence Graves of the Aircraft Owners and Pilots Association.

Mr. GRAVES. Thank you, Mr. Chairman.

To summarize our statement, we are concerned about the flight service station operation, the way FAA is handling it. They are consolidating flight service stations before they are completing the automation program that they have been working on for a long period of time.

Right now more than 75 flight service stations are illegally closed or part-timed.

Just last month the FAA illegally closed the Moonrock, Wis., flight service station in violation of the ADAP provisions that were put into the bill last year.

Second, we think both the cost and benefit estimates on the ATC modernization plan are off base and we just simply would like to ask that you in the forthcoming years monitor these very closely as the FAA proceeds with the plan.

With regard to microwave landing systems, we feel that it is too much too soon. The FAA has an implementation plan that is going to put thousands of microwave landing systems in across the country without the corresponding tens of thousands of receivers on airplanes, so that the ground stations would be in, but nobody would be utilizing the signals to make the approaches.

With regard to airport aid, we think that the formula is lousy. We recognize you don't control the formula, but we would support the full funding so that the maximum of money could get out and that full funding for this year is $1,043.5 million.

With regard to the penalty, we strongly support that and recognize that if you do impose the penalty on the FAA's ability to take operational money from the trust fund, it would free up more money for the facilities and equipment and airport programs, which is the purpose for which the trust fund is created and maintained.

Thank you.

Senator ANDREWS. Thank you very much for an excellent statement.

[The statement of Mr. Graves follows:]

STATEMENT OF W. LAWRENCE GRAVES

The Aircraft Owners and Pilots Association represents the aviation interests of some 265,000 individuals who own and fly general aviation aircraft for both business and personal transportation. AOPA's members have a deep interest in the Federal Aviation Administration and its programs. They pay direct Federal excise taxes which support most programs of the FAA.

FLIGHT SERVICE STATIONS

Of greatest concern to AOPA at this time is the proposal by the Federal Aviation Administration to dismantle the Flight Service Station system. Our members resent the fact that after their Federal gasoline taxes were tripled under the guise of "user fees", the main service provided to general aviation by the FAA is now being terminated in many locations.

Before we cite a few examples, let us make it unequivocally clear that small airports in small cities represent the very heart of general aviation. AOPA has no malice toward any community which has bid for new facilities, but it makes no sense whatsoever to close the Flight Service Station in Atlanta, Georgia, one of the world's busiest aviation areas and remote the facility to Macon, Georgia. The same thing can be said regarding the closure of facilities in major cities like Houston, New Orleans, Tulsa, Indianapolis, Cincinnati and Boston. The need and demand exists in these areas, not simply where the lowest bid comes in.

The FAA's attempt to foster bidding wars among communities to obtain a flight service station is irresponsible and counterproductive. This uncalled-for scheme does not reflect appropriate public policy. We would urge the Committee to evaluate this process before allowing it to continue. We have the following objections:

1. The FAA is promising current staffing and payroll levels to the competing communities when it expects these levels to be cut approximately in half. Additionally, it is entirely possible that the FAA could conclude that the communities no longer need an automated flight service station at say Bridgeport, Connecticut or Terre Haute, Indiana and could close the facilities after the local political subdivision has invested a substantial amount of funds to erect a building to the FAA specifications.

2. The location of these facilities should be chosen by the FAA and paid for from the FAA budget. We haven't seen the contracts the FAA is signing with the various cities but we feel certain that the Federal budgetary consequences are to hide the costs in tax expenditures resulting from revenue bonds sold by the communities to pay the costs of the buildings rather than in the FAA's budget.

3. The FAA is not choosing the lowest bid in every case, which makes an even greater mockery of the FSS location program.

The FAA Administrator, in recent testimony before (this Committee)the House Transportation Appropriations Subcommittee, stated that the bidding process for the location of the Automated Flight Service Station (AFSS) would save the taxpayers money. This implies that if the bidding process were not used, FAA funds generated from the general tax revenues

would be used. However, in answer to a question posed later before the Subcommittee as to why the automated flight service station had to be located on an airport, the Administrator replied that this was the desire of the aviation community and it is the users who are paying the bill.

If the users are indeed paying the bill -- and they are -- the users wishes should be the governing factor and the automated FSS's should be located at large general aviation airports and the other FSS's should be modernized and act as satellite FSS's to the automated stations.

4. The Flight Service Station (FSS) should be available to the general aviation pilot. The physical and geographical location of a flight service station is an important factor in determining the quality by which the flight service station fulfills its mission.

We are concerned about the safety impact on general aviation if the FAA closes flight service stations in certain mountainous and weather critical areas. For example: Eagle, Colorado; Baker, Oregon; Toledo, Washington; and Key West, Florida. Mountainous areas in the West are famous for closed-in mountain passes and snow squalls. It can be clear on one side of a mountain and zero visibility on the other side. Coastal areas can be completely fogged in while the sun shines a few miles inland.

Pilots flying under instrument flight rules (IFR) are required to designate alternate airports on their FAA flight plans if the weather forecast for their destination is poor or marginal. FAA regulations for alternate airports require that an altimeter (barometric pressure) setting be available for that airport to be a legal alternate. Additionally, the navigational aid upon which the instrument approach is predicated must be monitored if the airport is to be used as an alternate. The part-timing of flight service stations has already made it more difficult for pilots to have legal alternates during late night operations. For example, Devil's Lake, North Dakota is a legal alternate during the hours when weather reporting is available from the Grand Forks Flight Service Station. When that information is not available, Devil's Lake is not a legal alternate airport.

The inability of pilots to designate a close-by alternate airport means that pilots must waste extra amounts of fuel in order to reach more distant legal alternates or pilots may cancel the flight entirely.

Pilots know that weather is the most important factor in flight planning and flying. About half of all general aviation accidents are weather related. The increased fleet of general aviation airplanes will need an adequate system of flight service stations for weather briefings if they are to reach their full potential.

AIR TRAFFIC CONTROL TOWERS

Our views on towers are quite different from our views on flight service stations. We urge the Committee to support the Administrator's effort to review each decommissioned control tower to determine if it should be reopened based on present traffic. Under unique extenuating circumstances, projected future traffic can be considered. For years, the FAA's air traffic system has been cluttered with towers which were put in because of community pride rather than valid aeronautical

need. We commend the General Accounting Office for its efforts in identifying towers which should not be operated.

Closing a tower does NOT equate to closing an airport. Millions of take-offs and landings occur at thousands of airports which do not have towers. IFR air traffic separation is properly performed by a radar facility at another airport or at an Air Route Traffic Control Center. Given the need to reduce unnecessary and wasteful Federal expenditures and the action taken by the Senate Budget Committee to reduce FAA's facilities and equipment budget to $650 million, we hope that these towers will remain closed. Towers do perform the same function with regard to IFR alternate airports that FSS's perform, but AOPA believes that a balanced and adequate flight service station network coupled with an adequate system of Automated Weather Observation Station (AWOS) installations at airports with neither towers nor stations will provide ample IFR alternates for general avation.

AIR TRAFFIC CONTROL MODERNIZATION

This Committee recently heard testimony from Congressional Budget Office Director Alice Rivlin in which she indicated that the FAA's air traffic control modernization program would be economically acceptable if the FAA's assumptions prove to be close to realistic. We have testified in the past as to our belief that the FAA sometimes makes forecasts that are based upon justifying budgetary desires. This could very well be the case in its assumptions with regard to the economics of the modernization program -- which we support in part.

Last year the FAA was on Capitol Hill trying to sell increased taxes and large authorizations for the agency. This year it has the taxes and requested authorization levels in hand. For example, last year's FAA forecast--which was issued at the same time the air traffic control modernization program was announced--included an estimate that the active generalaviation fleet would grow by 102,000 by 1992. Just one year later the FAA projects growth of 74,000 airplanes by 1992. This represents a decrease in the forecast growth pattern of 27% in a single year.

We have the same statistical problem with the FAA's forecast for general aviation contacts with air traffic control centers, towers and flight service stations. For example, the FAA says our contacts with air traffic control centers will increase 105% by 1994 and our contacts with towers will increase 125% by 1994. However, it forecasts an increase of only about 60% for our services from flight service stations.

We find it very difficult to believe that the installation of Mode-S transponders and traffic alert and collision avoidance systems will result in saving 5% of the total fuel the FAA estimates general aviation will consume in the next 20 years. A savings of this magnitude is a completely unrealistic assumption.

We urge the Committee to pay full and careful attention to the alleged cost savings that will flow from the air traffic modernization program. We believe that the benefits are grossly overstated and the costs are substantially understated.

We know that the cost to general aviation for installing Mode-S transponders, TCAS and MLS receivers will greatly exceed the costs the FAA estimates for equipping the general aviation

and scheduled fleets combined. We do not see forthcoming the staffing reduction in the air traffic control system. The bulk of the staffing reductions right now are coming in the flight service station and airport improvement areas while air traffic control continues to expand.

According to some studies, the FSS consolidation and modernization program could result in as much as 35% retirement and voluntary termination rate. This drain of experienced and trained flight service specialists will further impair the available services. In fact, some studies have estimated that a sizable percentage of the specialists will be unable to qualify to operate the automated equipment.

MICROWAVE LANDING SYSTEMS

FAA's $114 million request for MLS is misdirected. FAA's MLS program has meant that airports seeking conventional ILS equipment have been turned down and told to wait for MLS. Even if a few general aviation pilots wanted to buy MLS reception equipment for their aircraft, it is largely unavailable. The FAA is obligated by treaty to continue ILS operations until the mid-1990's. We would prefer to see that $114 million go for more ILS facilities, remote communications outlets, visual approach slope indicators, distance measuring equipment, voice response systems, etc.

It is now obvious that the current FAA plan is going to deny precision approach service at many airports for some years to come. Further, it will impose operational penalties and economic burdens on the users, who are paying for these services through dedicated taxation.

Even more disturbing is the fact that MLS receivers are not avilable on the open market for general aviation, and many avionics manufacturers will not even express an interest in building them. The only exception seems to be those highly expensive sets built especially for the FAA and other special users.

Additional research and development work is needed on the precision DME portion of the integrated microwave landing system and the development of airborne equipment and proceeding to prove the claimed operational benefits of curved landing approaches.

The passage of time has overtaken FAA's program. The new solid-state ILS will operate better in rain than the MLS and it shows better possibilities for installations that heretofore have been deemed impractical for the old ILS. This further weakens the FAA's case for denying new solid-state ILS installations in favor of waiting for a doubtful MLS downstream.

The British CAA appears to have made a better assessment of the situation in that it recently announced the purchase of a number of new ILS for installation up until 1990. Some of these are replacing old equipment, others are at new sites.

While we have supported MLS development in the past, and still do, we cannot agree with FAA's present program. In addition to the undue operational and economic impact, it will derogate safety by denying precision approach service at locations that are justified by FAA's own criteria.

AOPA would urge this committee: (1) to provide STEP funding for the MLS program; (2) reprogram ILS installations to replace the old, out-dated tube type ILS, and provide for the installation of ILS at new airport qualifiers; (3) provide funds for small community MLS development.

RESEARCH AND DEVELOPMENT

Apparently the Congressional Budget Office baseline estimates for FAA research and development have been endorsed by both the House and Senate budget committees. If appropriate priorities are set for spending the funds, we believe this reduction could have a beneficial effect on the FAA's research programs.

In the past the FAA's research programs have become hidebound and institutionalized. Budget justifications show the same "programs" appearing year after year after year. The FAA expresses only the vaguest of goals for these activities and demonstrates little, if nothing, in the way of accomplishments. We would urge the Committee to request immediately from the FAA a statement of its priorities for the research account. We think it is quite likely that $105 million would permit the essential programs to be funded and the wasteful and non-essential to be permanently ended.

AIRPORT ASSISTANCE

AOPA supports funding for the full fiscal year 1984 authorization for airport assistance of $1,043.5 million. This is the program for which the aviation trust fund was originally created and money spent here will have the greatest impact on safety, efficiency and utility of aviation. We do not believe the allocation formula that gives money to the wrong airports is very productive. We recognize that the formula is not the province of this Committee. However, if there is any feasible way for you to redirect the funding distribution, here is the reason for doing so.

Aviation has a need for public use airports. The aviation trust fund was set up to collect excise taxes imposed on aviation. It collected these taxes from users at all kinds of airports but permitted airport improvement expenditures to be made only at publicly-owned public use airports. So what happened to public use airports during the ADAP period?

Nationwide, in 1970 there were 7,084 public use airports. By 1982 that number had declined 13.5% to 6,127.

The number of publicly-owned airports rose 4.6% from 3,973 in 1970 to 4,157 in 1982 -- but that minor gain was offset disasterously by a reduction of 36.7% in privately-owned airports from 3,111 in 1970 to 1,970 in 1982.

Apparently, many privately-owned airports simply could not compete effectively against the advantages of tax exemptions; federal, state, and local financial aid; and the land use protections enjoyed by the publicly-owned airports.

While there were other factors also at work to bring about this reduction -- aircraft noise, the chance to cash in on appreciated land values, and resistance of local residents to airport improvement and expansion, let alone new establishments -- it is quite apparent the ADAP and its accompanying noise alleviation programs did not provide an environment conducive to maintaining, to say nothing of increasing, the inventory of public use airports, regardless of whether provided by public or private sponsors.

National figures mask the disparity in what happened in the 50 states, District of Columbia, and three territories, Puerto Rico, Virgin Islands, and the South Pacific Islands.

Of the 54 areas, two, Rhode Island and the Virgin Islands, neither gained or lost in number of public use airports; 10, two territories and eight states, gained; and 42, the District and 41 states, lost -- some heavily.

Alaska, almost totally dependent upon aviation, lost 81. California, the most populous state in people, aircraft, and aviation activity, lost 75. Ohio lost even more, 88. Arizona, Nebraska, and Illinois each lost more than 50 public use airports.

Of those areas which actually gained 94 public use airports, 69% of the gain occurred in just three states: Wisconsin, Michigan, and Kentucky.

Does this mean there is no interest in having airports? Not by a long shot! The total number increased over 38% from 11,261 in 1970 to 15,831 in 1982. Both public and private sponsors more than doubled their ownership of private use airports -- but those airports are of no use to the traveling public which needs public use airports.

Government-owned private use airports rose from 287 in 1970 to 648 in 1982. Private-owned private use airports rose from 3,890 in 1970 to 9,056 in 1982. In fact, governments built 3.8 times more airports for their own exclusive use than they did airports for public use.

Nationwide, in 1970, 63% of all the airports were available for public use but by 1982 only 39% were. In 1970 more than half of the airports in 46 of the 54 state areas were open for public use. By 1982 this was the case in only 17 of them.

ADAP failed to provide an adequate number of public use airports to even maintain the basic airport inventory. There are more than 20,000 incorporated communities -- and only 6,000 public use airports to serve them. It is clearly apparent that many communities are poorly served.

OPERATION AND MAINTENANCE PENALTIES

AOPA strongly supports the so-called "two-for-one penalty clause" in the Airport and Airway Improvement Act of 1982. We strongly oppose any money from the aviation trust fund being used to pay FAA administrative costs.

The Airport and Airway Trust Fund has a sorry history of being tapped for FAA's operations while capital projects go begging. We urge the Appropriations Committee to join with the authorizing and tax committees to put a stop to it.

FAA AIRCRAFT

FAA's request for new aircraft is also misdirected. Many FAA pilot inspectors must actually drive automobiles from their airport offices to distant airports in the course of duties because the FAA spends its money buying a limited number of very expensive aircraft. AOPA is of the opinion that the FAA should have more airplanes that cost less. We recognize that the FAA must have some high performance jet aircraft for system evaluation, but its fleet is much too heavily oriented in this direction.

The FAA should buy 60 aircraft which cost $50,000 each rather than one which costs $3,000,000. This could enable all of FAA's pilots and airport inspectors to remain current at a

dramatically reduced cost to the government. In addition, FAA employees would have a greater understanding of the operational environment in which most pilots operate.

FAA BUDGET JUSTIFICATIONS

This year's FAA budget justifications -- published at a time the agency is undertaking the most rapid budget expansion in its history and probably in the history of most Federal agencies -- are very difficult to utilize as a tool for examining the FAA budget. For some unfathomable reason, the FAA's budget justifications included 106 numbered but blank pages. We would like to see the Committee require a more detailed budget justification for the agency.

HELICOPTER ASSOCIATION INTERNATIONAL

STATEMENT OF FRANK L. JENSEN, JR., EXECUTIVE DIRECTOR

Senator ANDREWS. Our next witness is Frank Jensen from the Helicopter Association International.

Mr. JENSEN. Mr. Chairman, thank you.

The Helicopter Association International fully supports the joint statement as presented by Clifton von Kann.

We do not have a separate statement to make.

Senator ANDREWS. We appreciate your coming and we appreciate hearing of your support of the joint statement.

Our next witness is Mr. Don Reilly, executive vice president of the Airport Operators Council International.

Mr. Reilly.

AIRPORT OPERATORS COUNCIL INTERNATIONAL

STATEMENT OF DON REILLY, EXECUTIVE VICE PRESIDENT

Mr. REILLY. Thank you, Mr. Chairman.

I appreciate this opportunity to appear before this subcommittee to urge its approval of full funding for the fiscal year 1984 airport development, planning, and noise compatibility programs as authorized by the Airport and Airways Improvement Act of 1982.

Full funding, Mr. Chairman, involves two key issues. One, congressional rejection of the administration's budget proposal to cut fiscal year 1984 airport development and safety grants by some $293 million and, two, authority for FAA to obligate previous year AIP carryover funds.

Mr. Chairman, in our statement on page 2 there is a table which is the result of FAA's first year cut in the new national airport system's planning document mandated by Congress last year.

As you will note from that table, there has been a sizeable jump in airport system development costs according to the FAA's own preliminary data. Of the total $14.9 million FAA-calculated need for the next 10 years, some 65 percent of that total should be programed for the next 5 years.

Not surprisingly the new $9.7 billion 5-year development total is $1 billion more than FAA's similar 5-year calculation made just in 1980. The demand for airport safety capacity development is clear.

The new FAA airport system plan simply reinforces the FAA Administrator's earlier acknowledgment that the success of his new air space system plan may be dependent upon ground capacity. We think that ground capacity can be adequately increased.

Our fear is that the administration may simply not want to provide the large chunks of user tax, AIP money, to increase airport operational capacity.

In addition, the draft statutory provision proposed in the budget documents for establishing a ceiling on fiscal year 1984 obligations for airport aid would prohibit FAA from obligating in 1984 some $50 million in carryover AIP authority from the current year.

We have drafted as an attachment B to our statement, Mr. Chairman, a preferable version of that limitation for your consideration.

Mr. Chairman, we wholeheartedly support the joint statement offered on behalf of all 14 aviation groups and we hope that this committee will act promptly on the recommendations.

Thank you.

Senator ANDREWS. Thank you very much, Mr. Reilly.

[The statement of Mr. Reilly follows:]

STATEMENT OF J. DONALD REILLY

Mr. Chairman and members of the Subcommittee, I am J. Donald Reilly, Executive Vice President of the Airport Operators Council International (AOCI). Accompanying me is J. J. Corbett, AOCI Vice President for Federal Affairs. The Airport Operators Council International is the association of the governmental bodies that own and operate the principal airports served by the scheduled airlines in the United States, as well as in many countries abroad. Our U.S. member airports annually enplane more than 90 percent of the domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. In addition, our local government members operate many reliever and other general aviation facilities which supplement the larger airports in their communities and regions. (A listing of our U.S. members is provided as Attachment A.)

On behalf of our U.S. members, we are grateful for this opportunity to appear before the Subcommittee to urge its approval of full funding for the Fiscal Year 1984 airport development, planning, and noise compatibility programs as authorized by the Airport and Airway Improvement Act of 1982 (Title V, P.L. 97-248, September 3, 1982, as amended).

Full funding, Mr. Chairman, involves two key issues: 1) Congressional rejection of the Administration's Budget proposal to cut FY'84 airport development and safety grants by $293.5 million to $700 million from the authorized level of $993.5 million; and 2) Authority for FAA to obligate previous year AIP carryover funds. We will address both those issues shortly.

Since, Mr. Chairman, this is the first year since 1980 that a Congressional authorization for airport funding has been in place at the time of these annual appropriations hearings, today will be our first opportunity in some time to offer you an updated "overview" of our nation's public airport system.

Our comments here, with their emphasis on the importance of the airport grant program fashioned by Congress last year, are totally consistent with the views expressed by us jointly with the other aviation associations in the prepared statement presented to you earlier today.

- FAA's New Airport System Plan Documents $1.5 Billion Annual Need

The Table in our text is the result of FAA's first cut at the new national airport system planning document mandated by Congress last year, a successor to similar plans of the past. As you see, there are now, according to FAA, about 3600 publicly-owned or publicly-used airports in the national system of airports. This is roughly the same count as in 1980.

FEDERAL AVIATION ADMINISTRATION'S
NATIONAL PLAN OF INTEGRATED AIRPORT SYSTEMS
PRELIMINARY DATA

TABLE

SERVICE LEVEL	LOCATIONS EXISTING	LOCATIONS NEW	LOCATIONS TOTAL 1/	COSTS (BILLIONS) 2/ 0-5 yrs.	COSTS (BILLIONS) 2/ 0-10 yrs.
COMMERCIAL SERVICE					
PRIMARY	258	5	268	$4.6	$ 8.0
NON-PRIMARY	296	7	323	0.7	1.0
RELIEVER	186	57	243	1.0	1.4
GENERAL AVIATION	2448	417	2826	3.3	4.4
	3188	486	3660	$9.7	$14.9

1/ Existing plus new does not equal total because some new airports replace existing ones. Also service levels change.

2/ Totals may not add due to rounding.

Source: FAA
4/1/83

There has been, however, a sizable jump in airport system development costs according to FAA's own preliminary data. Of the total $14.9 billion FAA-calculated need for the next ten years, some 65% of that total should be programmed for the next five years. Not surprisingly, the new $9.7 billion five-year development total is a billion dollars above FAA's similar five-year calculation in 1980.

If Congress were to fund the development FAA has included in its plan, the Federal Airport Improvement Program (AIP) would need to average $1.5 billion annually, up $150 million annually since 1980, plus the local funding share. This is not feasible given the other fiscal burdens of the Federal Government and on the aviation users. But the demand for development is clear.

- National Airspace System Plan May Be Limited by Airport Capacity

The new FAA airport system plan simply reinforces the FAA Administrator's earlier acknowledgement that the success of his new Airspace System Plan may be dependent upon ground capacity. We agreed with Administrator Helms when, in presenting his plan, he said:

> Of all the things that will limit the growth of aviation, it will be concrete or asphalt -- the lack of runway capability. ... It's certain airside congestion is going to get worse, since concrete will continue to be the primary limitation. ... 41 airports will have severe airside congestion by 1990 and up to 91 airports by the year 2000.

However, airports are not yet ready to agree with the airspace plan's pessimistic conclusion that quotas and flow control restrictions appear inevitable at most major hub airports because adequate airport capacity increases can't be achieved.

We are more optimistic than this. We think that capacity can be adequately increased. Our fear is that this Administration may simply not want to provide large chunks of user tax

money to increase airport operational capacity when the restrictive and essentially negative option of "quotas" could free up more Aviation Trust Fund monies for FAA salaries or for a "borrow-able" Trust Fund surplus.

- Administration-Proposed Airport Aid Cutbacks Must be Rejected

Given this abundance of FAA's own airport and airspace planning data suggesting the need for airport capital development, AOCI members are most disturbed, as the joint aviation association statement indicates, that the Administration has proposed substantial cutbacks in FY'84 AIP funding from the authorization levels established by the Congress.

Even though aviation users have already contributed excise tax revenues into the Aviation Trust Fund in amounts more than adequate to fund all airport and airway programs authorized for FY'84, the Administration Budget proposes a 30% cutback in airport aid for the coming year. In addition, the draft statutory provision proposed in the Budget documents for establishing a ceiling on FY'84 obligations for airport aid would prohibit FAA from obligating in 1984 some $50 million in carryover AIP contract authority from the current year. We have drafted a preferable version of that limitation language (Attachment B) for your consideration.

This Committee has consistently recognized the importance of the airport aid program and, as recently as this past March, has approved supplemental FY'83 AIP funding for "jobs creating" priority airport development projects. Our airport members are most grateful for your efforts.

For FY'84, as well, Mr. Chairman, we urge your Committee to approve full funding for airport and airway programs, for the reasons suggested above and in the joint aviation association testimony.

Thank you.

ATTACHMENT A

AIRPORT OPERATORS COUNCIL INTERNATIONAL ROSTER OF MEMBERS

UNITED STATES MEMBERS

ALABAMA:	Birmingham - Department of Aviation
ALASKA:	Alaska - Department of Transportation & Public Facilities Juneau - City and Borough of
AMERICAN SAMOA:	Pago Pago - Government of
ARIZONA:	Phoenix - Aviation Department Tuscon - Airport Authority

CALIFORNIA:	Bakersfield - Kern County Department of Airports Burbank - Burbank/Glendale/Pasadena Airport Authority Fresno - City of Los Angeles - Department of Airports Oakland - Board of Port Commissioners Palm Sp ings - City of Riversi - City of Sacramento - County of San Diego - Unified Port District San Francisco - City and County of San Jose - City of Santa Ana - Orange County Airport Santa Barbara - Municipal Airport Stockton - San Joaquin County
COLORADO:	Colorado Springs - City of Durango-La Plata - County Airport Denver - City and County of Pueblo - Memorial Airport
DISTRICT OF COLUMBIA:	Washington - Metropolitan Washington Airports
FLORIDA:	Daytona Beach - Regional Airport Fort Lauderdale - Board of Broward County Commissioners Fort Myers - Lee County Airport Jacksonville - Port Authority Melbourne - Airport Authority Miami - Dade County Aviation Department Orlando - Greater Orlando Aviation Authority Palm Beach - Board of County Commissioners Pensacola - City of St. Petersburg-Clearwater - International Airport Sarasota-Manatee - Airport Authority Tampa - Hillsborough County Aviation Authority
GEORGIA:	Albany - Albany-Dougherty County Airport Atlanta - Department of Aviation Savannah - Airport Commission
GUAM:	Guam - Government of
HAWAII:	Honolulu - Department of Transportation
ILLINOIS:	Chicago - Department of Aviation Moline - Rock Island County Metropolitan Airport Authority Peoria - Greater Peoria Airport Authority Rockford - Greater Rockford Airport Authority Springfield - Airport Authority
INDIANA:	Fort Wayne - Board of Aviation Commissioners Indianapolis - Airport Authority South Bend - St. Joseph County Airport Authority
IOWA:	Cedar Rapids Des Moines - Department of Aviation Mason City - Municipal Airport Commission
KANSAS:	Topeka - Metropolitan Airport Authority Wichita - Airport Authority
KENTUCKY:	Lexington - Lexington-Fayette Urban County Airport Board Louisville - Regional Airport Authority of Louisville and Jefferson County Paducah - Airport Corporation

LOUISIANA:	Baton Rouge - Greater Baton Rouge Airport District Lafayette - Airport Commission New Orleans - Aviation Board Shreveport - Airport Authority
MAINE:	Bangor - City of
MARIANA ISLANDS:	Saipan - Bureau of Transportation Saipan - Mariana Islands Airport Authority
MARYLAND:	Maryland - State Aviation Administration
MASSACHU-SETTS:	Boston - Massachusetts Port Authority
MICHIGAN:	Detroit - Board of Wayne County Road Commissioners Flint - City of Freeland - Tri-City Airport Commission Grand Rapids - Kent County Aeronautics Board Jackson - County Airport-Reynolds Field Kalamazoo - Municipal Airport Lansing - Capital Region Airport Authority Muskegon - County Airport
MINNESOTA:	Minneapolis-St. Paul - Metropolitan Airports Commission
MISSISSIPPI:	Gulfport - Gulfport-Biloxi Regional Airport Authority Jackson - Municipal Airport Authority Laurel/Hattiesburg - Pine Belt Regional Airport Authority
MISSOURI:	Columbia - City of Kansas City - Aviation Department St. Louis - Airport Authority St. Louis County - Spirit of St. Louis Airport Springfield - Municipal Airport Board
MONTANA:	Great Falls - International Airport Missoula - County Airport
NEBRASKA:	Lincoln - Airport Authority Norfolk - Karl Stephaan Memorial Airport North Platte - Airport Authority Omaha - Airport Authority
NEVADA:	Las Vegas - Clark County Department of Aviation Reno - Airport Authority of Washoe County
NEW HAMPSHIRE:	Manchester - Airport Authority
NEW JERSEY:	Trenton - Mercer County Airport Atlantic City - Airport Utility
NEW MEXICO:	Albuquerque - City of
NEW YORK:	Binghamton - Broome County Airport Buffalo - Niagara Frontier Transportation Authority New York - Metropolitan Airports Authority New York - Port Authority of New York and New Jersey Syracuse - Department of Aviation White Plains - Westchester County Airport
NORTH CAROLINA:	Asheville - Regional Airport Authority Charlotte - City of Greensboro-High Point - Airport Authority Raleigh - Raleigh-Durham Airport Authority Winston-Salem - Airport Commisssion of Forsyth County

OHIO:	Akron-Canton - Regional Airport Cincinnati - Kenton County Airport Board Cleveland - City of Columbus - Port Columbus International Airport Dayton - Department of Aviation Toledo-Lucas County - Port Authority Youngstown - City of
OKLAHOMA:	Oklahoma City - Airport Trust Tulsa - Airport Authority
OREGON:	Portland - Port of
PENNSYLVANIA:	Lehigh-Northampton - Airport Authority Middletown - Pennsylvania/DOT Bureau of Aviation Philadelphia - Department of Commerce Pittsburgh - Greater Pittsburgh International Airport
PUERTO RICO:	San Juan - Puerto Rico Ports Authority
RHODE ISLAND:	State of Rhode Island - Division of Airports
SOUTH CAROLINA:	Charleston - County Aviation Authority Columbia - Metropolitan Airport Greenville-Spartanburg - Airport Commission
TENNESSEE:	Chattanooga - Municipal Airport Knoxville - Metropolitan Airport Authority Memphis-Shelby County - Airport Authority Nashville - Metropolitan Airport Authority
TEXAS:	Austin - City of Dallas - Department of Aviation Dallas/Fort Worth - Regional Airport Board El Paso - City of Harlingen - Valley International Airport Houston - City of San Antonio - Department of Aviation
UTAH:	Salt Lake City - Airport Authority
VERMONT:	Burlington - Airport Commission
VIRGINIA:	Newport News - Peninsula Airport Commission Norfolk - Port and Industrial Authority Richmond - Capital Region Airport Commission
VIRGIN ISLANDS:	St. Thomas - Virgin Islands Port Authority
WASHINGTON:	Seattle - Port of Seattle - King County Airport (Boeing Field) Spokane - Airport Board
WISCONSIN:	Janesville - Rock County Airport La Crosse - Municipal Airport Madison - Dane County Regional Airport Milwaukee County - Department of Public Works Oshkosh - Wittman Field Airport
WYOMING:	Casper - Natrona County International Airport Cheyenne - Airport Authority Rock Springs - Sweetwater County Airport Authority

Attachment B

AOCI Alternative Provision to Administration's

Proposed Limitation on FY'84 Airport Grants-In-Aid

For Inclusion in FY'84 DOT Appropriations Bill

TITLE III - GENERAL PROVISIONS

* * *

SEC. 302. None of the funds provided in this Act shall be available for the planning or execution of programs the commitments for which are in excess of ~~-$700,000,000~~ $993,500,000 in fiscal year 1984 for grants-in-aid for airport planning and development and noise compatibility planning and programs ~~notwithstanding section 506(e)(4) of the Airport and Airway Improvement Act of 1982.~~.

* * *

General Aviation Manufacturers Association

STATEMENT OF EDWARD W. STIMPSON

Senator Andrews. Our next witness is Mr. Edward Stimpson of the General Aviation Manufacturers Association.

Welcome to the subcommittee.

Mr. Stimpson. Thank you, Mr. Chairman.

I am going to take your story at heart. Being the last aviation witness, there is considerable downside risk in talking too long here.

I do want to emphasize several points.

One, users are now paying for the system, 100 percent of the capital cost. This is all user charge money. We worked very hard last year and agreed to new taxes on the concept and premise that they would be used for modernization and expansion of the system.

Second, the needs are clear. ATA and regional airlines have outlined how equipment and facilities money would be spent and adequate justification is fully there for full funding. Second, for the reliever airport needs alone, in our statement and document, just three airports alone, Atlanta, Denver, and Los Angeles, over $35 million in just this area could be spent in relieving congestion alone.

Third, delay of the program of equipment and facilities funding would be disastrous. We are concerned about the actions of the Senate Budget Committee. We have a good plan. We should move ahead on it. Delays will cost more in the long run.

More importantly, the safety and expansion of the system will be deterred. We are at an important junction now. The trust fund is up for testing. The ink has only been dry on the bill for about 6 months. The President signed it last August. We hope that the Congress will continue to fulfill the intent of the legislation and provide full funding for the program as outlined.

Thank you very much.

Senator ANDREWS. Thank you very much, Mr. Stimpson.

Don't lay awake too much at night worrying about what the Senate Budget Committee did. Remember what they send us is an overall total dollar figure that we as an Appropriations Committee allocate among the separate functions. There was no specific cut in any one item.

As a matter of fact, we were successful in getting an additional $200 million added to the transportation function in the last little meeting of the committee that we had before we reported the bill out.

I hate to say it out loud, but our section probably did as well as, or better than any of the other sections.

Mr. STIMPSON. That is very encouraging, Mr. Chairman. That is the best news we have heard this morning.

Senator ANDREWS. You get OMB coming down with what they say and the Budget Committee interacts and the Budget Committee passes out allocations, so to speak, including or not including reconciliations of the various subcommittees on appropriations as well as the authorizing committees.

We did fairly well, given the out-year deficits and the problems we have, but also recognize that with all the criticisms some of us are getting for increasing or, shall be say, not allowing taxes to decrease as fast as others would let them decrease, you have to look at the out-year deficits.

The reason some of us who supported the program also supported the increase in income tax was that you have to do that in order to be honest. You can't be for the program and against the money that pays for it and expect it to come out of deficits down the line.

We hope we will be hearing from you and some of the others saying that we like our program, but we also realize they have to be paid for. So, we are not going to join this general chamber group who come out and say absolutely no change in taxes, keep them going down and in effect kill off all our programs.

Mr. STIMPSON. Right. That is maybe why we are little different than when we were up there last year saying, yes, we will pay the taxes if we get the programs. There was a substantial increase in taxes as you recall.

[The statement of Mr. Stimpson follows:]

STATEMENT OF EDWARD W. STIMPSON

We appreciate the opportunity to testify on an issue of vital interest to our member companies which manufacture about 95 percent of the general aviation aircraft, engines, avionics and components produced in the United States.

First, we enthusiastically endorse the joint statement of the 14 aviation organizations. It accurately reflects the strong views of the aviation community, which reached an accord with the Administration and the Congress in 1982 regarding future development of the nation's airport/airway system. The authorized funding levels reflect the provisions of that agreement. To appropriate lesser amounts would undermine the credibility of the user fee concept and constitute a serious breach of faith with the aviation community.

Faced with a recessionary economy, with all its depressing symptoms, the substantial increases in user fees were not well-received by many users. Nonetheless, a compromise was worked out resulting in higher user fees in return for higher levels of funding for the airport/airway system. The users have fulfilled their part of the bargain; they have been paying significantly higher fees since October 1, 1982. Congress must honor its commitment to the aviation community by appropriating the authorized levels of funding or the trust fund concept becomes a charade.

We are disappointed and frustrated about how to achieve needed, planned, and agreed upon system improvements. Twice the users have been told they must be subjected to user charges if they expect the system to keep pace with needs. Twice the users

have accepted user charge levies on the promise that the funds would be available for system improvements. But history repeats itself, and again user funds are being held hostage to other national priorities.

After the Grand Canyon collision of 1956, there was a determined public effort to build up an inadequate system. That resolve quickly vanished in the face of increasing social needs and the Vietnam War. In the late 1960s, the users were told they must pay for system improvements or live with an outmoded system. The mood was thus created for the Airport and Airway Development Act of 1970.

Much progress was made, but budget maneuvering thwarted the purposes of the Airport and Airway Development Act to the point where a surplus of over $5 billion, collected from users, was gathering dust in the Trust Fund by the time the 1970 Act expired.

A new act, carrying much higher per gallon fuel taxes (12 cents on aviation gasoline and 14 cents on turbine fuel), was signed into law in 1982. The FAA published a new plan to replace obsolete computers and radars and to revitalize our airport system. Funds paid in by airway users -- not general taxpayers -- are now held in trust and are available for airport and airway modernization as promised. But, the Administration did not request the authorized amounts, and the budget process threatens other reductions.

Today, there are unmet demands for nearly $1.5 billion for airport needs, with urgent demands to improve airport capacities

through both modernization of existing facilities and creation of new reliever airports to serve metropolitan areas.

The total requirements for new air traffic control and air navigation facilities add up to some $10 billion. The full authorized amount of $1.393 billion for F&E for FY 1984 should be used for things we can buy now, such as more solid state ILS systems, new Terminal Airport Surveillance Radar systems, Mode-S Surveillance and Data Link systems, Approach Lighting and other items that are readily available. Deferring procurement of these items will cause them to compete with computer and long range radar replacement items later on, and their costs may well increase through inflation. The Air Transport Association of America has developed a suggested list of things available and needed now that, when added to the Administration request of $1 billion for F&E, would total the authorized amount for FY '84.

If the Congress fails to appropriate the authorized amounts, it will be a repudiation of the user charge concept and would undermine the potential for imposing user charges on other forms of transportation in the future.

We join with the other organizations in strongly supporting the penalty provisions of PL 97-248. Under these provisions, a mandatory reduction in appropriations from the Trust Fund for operations is required to protect these dedicated funds against unauthorized appropriations. These mandatory reductions will require offsetting increases in appropriations from general revenues for FAA operations and maintenance, or the system will suffer an intolerable loss of existing capacity. Ironically, although Trust Fund revenues would be saved, the effect would be

to increase general revenue expenditures. It seems to us that the prudent fiscal alternative would be to use the resources of the Trust Fund for capital costs and operations as authorized by PL 97-248.

We urge to you to reinstate fair play and integrity into the budget process so that the airway system can continue to grow and to improve its vital service.

RELIEVER AIRPORTS - AN URGENT NEED FOR INCREASED FEDERAL FUNDING

It is generally recognized that reliever airports are a critical element of our national airport system. By using reliever airports, non-commercial aircraft can avoid having to use already congested commercial airports.

However, it is not generally recognized that there is an urgent need for additional Federal funding for reliever airports. Under the Airport and Airway Improvement Act of 1982, not less than 10 percent of the airport funding is to be distributed to reliever airports. This makes available considerably more funding for relievers than had previously been the case. However, it leaves a substantial need that is critical to the present development of relievers.

For example, in just two major metropolitan areas, Atlanta and Denver, $5.67 million is being made available in FY 83 for reliever airports. However, this is only 30 percent of the $18.85 million needed and requested for FY 83. And this immediate $18.85 million need, which is only being 30 percent met this year, is but a small portion of the $154 million total funding needed for the orderly development of the reliver airports in these two metropolitan areas.

The FAA has requested $700 million for airport funding for FY 84. $70 million of this would be distributed to relievers. The inadequacy of this amount is apparent when considering that just the two areas of Atlanta and Denver had $13 million carryover needs which were not met in FY 83 and have $25.8 million additional needs in FY 84. When the Los Angeles area is added, the FY 84 needs alone total $35 million, and this is for just three metropolitan areas.

The total reliever airport needs of the country are substantial, particularly when it is realized that these three areas would absorb over half of the available funding in FY 84.

Needs of Reliever Airports in Just Three locations

	FY 83		Additional Needs		
	Requested	Granted	FY 84	FY 85	FY 86
Atlanta	$ 2.65 M	$ 1.32 M	$ 9.6 M	$16 M	$15.3 M
Denver	16.2	4.35	16.2	15.1	15.4
Los Angeles	3.83	1.9	9.23	5.63	9.94
	$22.68 M	$ 7.57 M	$35.03 M	$36.73 M	$40.64 M

DISTRICT OF COLUMBIA DEPARTMENT OF PUBLIC WORKS AND TRANSPORTATION

STATEMENT OF THOMAS M. DOWNS, DIRECTOR,

Senator ANDREWS. Our next witness is Mr. Thomas Downs of the District of Columbia Department of Public Works and Transportation.

Mr. DOWNS. Mr. Chairman, I am pleased to be before the committee.

I want to thank you in advance for the kind of support we have had in the past from the committee for transportation projects. This is just our way of trying to keep you informed about what is going on in the Nation's Capitol.

We know we are highly visible and there have been a lot of questions and concerns about the level of funding we are putting into various transportation projects. We have enjoyed a very good working relationship with the committee staff who are highly professional and understanding and will go to take the time with us and we deeply appreciate it.

We have underway this year about 30-some-odd miles of research and reconstruction projects, that is due, in good part, to the willingness of the Congress to invest in the District of Columbia's interstate substitution program. We have a program we think which is going to reduce the visibility of the pothole program which a number of members have voiced concern about.

We have underway a number of major bridge projects including the New York Avenue Bridge, Benning Road viaduct and we have underway the design for the reconstruction of Key Bridge over the Potomac.

We are about to go to bid on the reconstruction of the southbound portion of the 14th Street Bridge.

We will continue that investment in bridges over the next decade. We have some 260 bridges and we need to keep a reconstruction rate of two major bridge reconstructions a year for the next decade in order to solve some neglect that we have had over the past two decades.

The committee is understanding and generous with us, we think, and we deeply appreciate it in terms of the supplemental on interstate substitution and an additional $8½ million has already gone to the $34 million traffic signal reconstruction program. We will expedite that from a 4-year program, hopefully, down to approximately a 2-year program with these funds.

We have in addition a large and highly visible project coming on line we hope to be able to continue to fund with interstate substitution funds and that is the construction of the Whitehurst Freeway along the Potomac to Georgetown. The cost of that project is anywhere from $60 to nearly $100 million.

We have in addition some concerns, though, with the administration's request on mass transit funding for WMATA of which the District is a member and participant in.

While last year it was funded at $285 million, the administration has done something interesting this year in that they are suggesting an appropriation of $230 million in Stark-Harris fund and $25 million from

the new section 9 program and a potential $20 million from other unidentified UMTA funds for a total of $275 million.

We have always considered the needs of the authority in major rehabs to begin somewhere about the 10th year of operation of the rail system and that is, believe it or not, coming to the point where we are starting to have to make an investment in rail and we would like to do that out of section 9 funds.

We think that it is an abrogation of the intent of Congress in Stark-Harris funding to begin the progress of funding Metrorail construction out of section 9 funds.

In addition, just in terms of specific projects, I would like to update the committee on the progress on the Center Leg Freeway, the open hole parking lot over——

Senator ANDREWS. The most expensive parking lot in the Nation probably.

Mr. DOWNS. Bids are prepared. They will be advertised in June. Construction will begin before the end of this year. We hope to have the project completed with a 550- or 600-day construction title.

Senator ANDREWS. And then the traffic will flow through that parking lot and exit, as I understand it, on New York Avenue?

Mr. DOWNS. Yes, Senator.

Senator ANDREWS. That is making progress because for a long time we have been looking at that wondering what we could do with the money we gave you, but we are glad to see that you are making progress.

We appreciate your statement.

[The statement of Mr. Downs follows:]

STATEMENT OF THOMAS M. DOWNS

Mr. Chairman, members of the Subcommittee, I am Thomas Downs, Director of the District of Columbia, Department of Public Works and Transportation. I appreciate this opportunity to enlist your continued support for the essential transportation programs of the District.

In the year since I last had the opportunity to speak before your Subcommittee, the term "Infrastructure" has become, if not a common household word, at least a term meriting national recognition, especially by local government officials.

We in the District of Columbia define our infrastructure as more than 1,100 miles of streets; 1,647 miles of sidewalks: 250 bridges; 23.7 miles of operating rail transit; 1,500 buses and 12 miles of interstate highway.

We have made major investments in the building of this infrastructure, as have cities and states around the country. But we also realize that the future for our city/state lies in maintaining the built environment we have today.

Therefore, I would like to take a few minutes to discuss how the District of Columbia is using local and federal funds to build and maintain our infrastructure.

D.C. Roads and Streets

Between 1975 and 1980, the city was resurfacing approximately ten (10) miles of its streets each year. This is an average of once every 100 years, whether they needed it or not. Place this , if you will, in the context of an expected life cycle of 25 years on arterials and 40 years for local streets.

This summer's construction season will be the third in a row that the city has resurfaced an average of 30 miles of streets a year. We have used, and plan to continue to use, a mix of Interstate Substitution, Urban, and Primary funds to carry on our street program which encompasses every section of the city. Our major arterials like North Capitol Street and Canal Road and our residential streets in Georgetown and Anacostia are being restored to safe use

and appropriate standards. While potholes continue to plague our maintenance crews, as they do those of our fellow state and local transportation agencies, their occurence does diminish as a steady progression of 30 miles of streets a year are resurfaced.

D.C. BRIDGE PROGRAM

Bridges in the District of Columbia are critical not only as major infrastructure investments, but also as critical links in our commuter transportation system. Because of our location on the Potomac River, our Virginia neighbors are almost totally dependent on bridges to enter the city. These bridges, however, are D.C. owned, and our investment in them continues to be substantial.

Several of our bridges have recently undergone extensive repair, and, in many cases replacement. They include, Chain Bridge, the Michigan Avenue Bridge, and the northbound span and grade separation of the 14th Street Bridge. We are processing bids to begin construction on the southbound span (George Mason Bridge). Work is now underway on the New York Avenue Bridge and the Benning Road Viaduct over Kennelworth Avenue. One of the District's oldest and most historical structures, Key Bridge is undergoing structural evaluation and plans call for work to begin in 1985 to upgrade and improve safety features of Key Bridge.

Interstate Program

While the District has benefited from the flexibility, provided through the Interstate Transfer Program (IX), to address our many capital investment needs, we are also active participants in the completion of the Interstate System.

The Barney Circle Freeway Modification Study is now evaluating the feasibility of linking the Southeast/Southwest Freeway to the Anacostia Freeway. This is a critical link for traffic attempting to enter the city from the east. Public Hearings have been held on the draft environmental impact statement which proposes one no-build and four build alternatives.

None of the alternatives will involve displacement or relocation of residences or businesses. Three of the alternatives propose a new

bridge structure over the Anacostia River. We anticipate completing our EIS by September of this year to qualify for Interstate funds.

1982 Surface Transportation Assistance Act

The 1982 Surface Transportation Assistance Act is commonly referred to as the 5 cents gas tax increase. While the long overdue gas tax increase is a major feature of the legislation, there are other features which have equally significant impacts for the District. We cannot identify precisely the increased apportionments of Federal Funds because full year apportionments for 1983 were not calculated prior to the 1982 STAA. We can, however, compare this year's apportionments with last year's and are pleased that increases result from the gas tax increase.

We were also planning to use Interstate Substitution Funds to finance a portion of the $34 million traffic signal system overhaul. With the advent of the 1982 STAA, we will use urban system and primary system funds for road rehabilitation and use Interstate Substitution funds for the entire signal system this year. The net result is that rehabilitation of the traffic signal system will be accelerated bringing us closer to the day when flashing traffic signals are the exception rather than the current rule at our intersections. On an average day, 30 signals in the District are malfunctioning, and that number can go up to 60 intersections with flashing or broken lights. In addition, we have timing problems with approximately 200 signals on any given day.

The District has a potential of $150 million dollars of Interstate Transfer Entitlement. We know that the Congress is aware of the substantial amount of these funds which has built up over the years and that sums available for obligation in the Interstate Substitution program shall remain available until they are obligated.

The District is in the process of developing plans for design of specific major projects, such as the Whitehurst Freeway. As you know, this facility is in need of major improvement and will require tens of millions of dollars to repair.

The Whitehurst Freeway is under study now. Several alternatives are being examined through an exhaustive process that includes

federal, local, and regional agencies, city officials and local citizens. Such careful planning takes time and such major projects cost money.

Mass Transit System

One other vital part of our complex and interdependent transportation infrastructure is mass transit. Over 23 miles of the Metrorail system and 28 stations are open within the District. Three additional stations and over four miles of track are expected to open within the next two years.

A viable public transportation system is essential to the District's population as well as the thousands who live in surrounding jurisdictions and work in the city.

Therefore we view rather critically the Administration's proposal for FY 1984 funds for Metrorail construction. Last year, in FY 1983, WMATA received $240 million from Stark-Harris funds and $45 million from Interstate Transfer funds, totalling $285 million for Metrorail construction.

The Administration's proposal for FY 1984 Metrorail construction calls for an appropriation of $230 million in Stark-Harris funds, $25 million from the new Section 9 program and a potential $20 million from other unidentified Urban Mass Transportation funds for a total of $275 million.

I must strongly object to the suggestion that Section 9, a program designed to provide for bus capital needs, will be available to fund Metrorail construction.

We clearly have a program designed expressly for that purpose. That program was created when Congress enacted the Stark-Harris legislation and established a $1.8 billion fund for Metrorail construction.

I urge the Subcommittee to authorize in FY'84 a $300 million dollar rail construction program from Stark-Harris funds. This would follow the original intention of that legislation designed to assist the completion of the Washington Metropolitan Area Metro-system. This is essential to enable us to begin the

timely construction of the Green Line which serves the most transit-dependent population in the area.

I hope my remarks reflect the District's efforts to strike the delicate but essential balance between investing capital in our street system and in our public transit system. These programs are in the direct interest of the entire Metropolitian Area.

I thank your for your interest in our city, and I stand ready to provide any further information to the Subcommittee regarding the District's highway and transit programs.

CITY OF PORTLAND, OREG.

STATEMENT OF MILDRED SCHWAB, CITY COMMISSIONER

ACCOMPANIED BY BOB BEN BROCKLIN, DIRECTOR OF INTERGOVERNMENTAL AFFAIRS, CITY OF PORTLAND, OREG.

Senator ANDREWS. Our next witness is a friend of ours from the northwest section, Mildred Schwab, city commissioner of Portland, Oreg.

Ms. SCHWAB. Thank you, Mr. Chairman.

I have with me Mr. Bob Ben Brocklin, director of intergovernmental affairs for the city.

I would like to thank you for allowing us to appear here today.

The Portland region has three major concerns in the area of transportation finance:

First, continuation of adequate discretionary funding levels for long-term participants in the interstate transfer program.

Second, continuation of the Portland region's excellent working relationship with the Congress and administration in meeting both Federal and local commitments for the Banfield LRT full funding agreement.

Third, continuation of adequate levels of support for both capital and operating needs of urban transit systems and development of a mechanism for addressing the need for maintenance of decaying transportation infrastructure in our cities.

The Congress and administration are to be commended for last session's approval of the 5-cent Federal gas tax increase, and the accompanying reauthorization legislation—the Surface Transportation Assistance Act. Reauthorization of the interstate transfer program at substantially increased levels was welcomed by the Portland region.

However, as long-term participants in the interstate transfer program, we are extremely concerned by provisions which allocate 75 percent of the available resources based on a cost-to-complete formula. This formula tends to favor new start participants with large outstanding entitlements regardless of their ability to move forward with the substitute program.

As we advised you last year, the Portland region has made a concerned effort to stretch out our need for interstate transfer funds while still providing for the timely construction of capital improvements.

We are not in the position of spending venture capital where the demand for the facility does not yet exist. Rather, we have programed our improvements to come online concurrent with private sector development and existing travel demand.

Even so, we are greatly concerned that new commitment to projects not ready for construction will cause our share of the formula apportioned funds to fall far short of meeting these critical needs.

As long-term participants, we have planned and developed a program which is ready to move forward on a rational basis. This will require firm commitment from Federal discretionary resources so that the program can be completed in an orderly and cost-efficient manner.

Our second concern, completion of the Banfield light rail project, is also jeopardized by the formula allocation of interstate transfer-transit funds. The Portland region has executed a full funding agreement with UMTA. That contract calls for significant fundings levels in fiscal years 1984–85.

We feel it is imperative for the administration to meet this commitment. It is our understanding that full funding contracts, including section 3 matching ratios, are grandfathered under the Surface Transportation Assistance Act of 1982.

We expect UMTA to arrange its priorities in accordance with this original congressional intent. Your continued support of this funding agreement and funding pursuant to the original schedule will allow timely completion of this critical, high priority transit improvement.

Our third concern focuses on what we perceive to be the administration's failure to fully utilize the 1-cent gas tax proceeds set aside for transit operating and capital needs. It was clearly the Congress intent to provide much needed revenues for our transit systems.

The Portland region urges that operating and capital revenues be continued at the levels cited in the Surface Transportation Assistance Act and believes the 1-cent gas tax should be added to the fiscal year 1983 appropriations level.

A related concern is financing the maintenance of transportation infrastructure by local governments. The inventory of capital investment in transportation has risen dramatically, but maintenance has suffered.

Deferral of low cost maintenance activities results in much higher capital reconstruction costs in the future. We in the Portland region are well aware of this geometric spiral and have fought hard without great success, to prevent its occurrence.

We urge careful consideration of this issue should it come before the subcommittee later this year.

In summary, the Portland region is requesting that Congress continue to adequately fund the Oregon transportation projects consistent with the long-established commitment by the Federal Government to the Portland region. We believe this is consistent with a long-range, sound Federal budget.

We want to thank you for everything you have done for us in the past.

Senator ANDREWS. Thank you very much for an excellent statement.

As you know, in this poker game we play you have the "ayes" in your pocket with Mark Hatfield being your Senator. We understand how that works. He is a great and effective voice for Portland, Oreg., on this committee and a number of others.

Ms. SCHWAB. Thank you, sir.

Senator ANDREWS. We are glad to have you here again.

Ms. SCHWAB. Thank you.

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

STATEMENT OF WALTER J. HERNANDEZ, CHAIRMAN, STAFF SUBCOMMITTEE ON PIPELINE SAFETY

Senator ANDREWS. Our next witness is Walter Hernandez of the National Association of Regulatory Utility Commissioners.

Your excellent statement will be included in the record. You may summarize it any way you wish.

Mr. HERNANDEZ. My name is Walter Hernandez. I am with Pipeline Safety of the Public Service Commission of the State of Nevada. I am here this morning as chairman of the Staff Subcommittee for the National Association of Regulatory Utility Commissioners.

In 1968 the Natural Gas Act allowed up to 50 percent reimbursement to all States that participated in the gas pipeline program. For this year, 1984, the administration has submitted a figure of $3.5 million.

The States' request or allocation for this year under the State-Federal program was a total of $11.4 million. Breaking it down to the $3½ million under the 1984 appropriation, the States would be spending 70 percent and the Federal Government would only reimburse them 30 percent for their expenditures.

The pipeline program was going fine from 1968 to 1980. At that time all States were reimbursed up to 50 percent. We got into 1981, we had the State of Texas come into the grant money program which they were not in before, and they have for the calendar year 1983 a $1.7 million budget themselves just for their pipeline program in the State. So, if we were to give them their half, it would be $800,000.

The State of New York has a large investment in the pipeline program. We have last year, 1982, there was 169.74 man-years spent on inspecting operators in intrastate and interstate pipelines throughout the United States.

There were over 4,000 inspections made by State agencies. There were over 12,000 violations found by State agencies. There are 16 Federal inspectors that oversee the State programs throughout the country and are responsible for interstate pipelines and pipelines not under the jurisdiction of the local State.

We have 290 interstate pipeline operators in the country, 3,190 intrastate, 528,283 miles of interstate transmission pipelines and we have in the intrastate 1,056,000. The number of gas meters throughout the

country is over 43 million. If we divide the $5.7 million request, it comes to about 7.6 cents per customer of the gas utilities throughout the United States to have a fully funded program on a Federal Government level.

I would ask for the increase from $3.5 million to $5.7 million for the States to get the full reimbursement of 50 percent as was contracted for in the beginning.

Another program that was supposed to start January 1 as a result of the Hazardous Liquid Act of 1979 was supposed to have a $1 million figure put in this year. That was not put in. The States request that. This would require 44 additional man-years in the pipeline program.

We are transporting over 50 percent of the energy of this country through that pipeline. As far as defense goes, those pipelines play a great part in this Nation's security and for us to not have the proper inspection of these pipelines only exposes the public throughout the United States.

Mr. Chairman, before the red light hits me——

Senator ANDREWS. Thank you very much for an excellent statement.

[The statement of Mr. Hernandez follows:]

STATEMENT OF WALTER J. HERNANDEZ

The National Association Regulatory Utility Commissioners (NARUC) represents each state's interest in the country on federal-state Pipeline Safety Program matters. NARUC represents 50 states, Puerto Rico, and the District of Columbia. As Chairman of NARUC's Sub-Committee on Pipeline Safety, I wish to express to the Committee the states' concerns.

NARUC and others consider this law to be a model for federal-state cooperation and believe the success of this program is a shining example of what can be accomplished when federal and state agencies work together. This partnership has resulted in a higher level of pipeline safety which in turn results in greater protection of all Americans.

I would like to address the Grant-In-Aid Funding Level for the Gas Pipeline Safety Program. When Congress enacted and the President signed into law the Natural Gas Pipeline Safety Act of 1968 (the Act 49 U.S.C. 1671 et. seq. PL 90-481), all states in this program were reimbursed 50% of their costs for personnel, equipment, and activities required to carry out the Act of 1968 and the Pipeline Safety Grant Program through 1980.

At this time the best information I can find for calendar year 1983, indicates that the states' request for 50% reimbursement will be short by approximately $2,242,140; the states had requested $5,742,140. The Administration, when submitting its budget proposal to Congress, reduced that figure to $3,500,000. The lowest percentage for a state was 38% of their original request. These percentages present a problem for some states participating in the program due to statutes which only allow a state to expend funds on a one to one or two for one ratio in the program. It becomes readily apparent that a budget for 1983 of $3,500,000 will not allow states to receive 50% reimbursement.

NARUC supports the states' request for $5,742,140 for calendar year 1983, to insure that the pipeline safety grant program would be able to continue. The Administration has submitted the same amount for 1984. At the expense of

public safety this request was lowered to $3.5 million for 1984. If the grant program is not increased it will further mean a decrease in states participating in this program.

I must also state at this time that personnel are being transferred from the pipeline safety program and others have been alerted to the fact their jobs may be abolished. The number of inspections are also being reduced. There has been an offer from U.S.D.O.T. for states to take over all intrastate liquid pipelines and down the road probably to take over all pipelines in each state. This would be the ideal situation, if a state were able and willing, but at the same time the U.S.D.O.T. is asking the states to accept less money. The Federal Government must live up to its agreement, and the states in turn, will live up to their responsibility.

Mr. Howard Dugoff, Administrator for R.S.P.A., stated on March 7, 1983, that he expected no significant reduction in state participation. I can assure the Administrator that cuts have already been made and a number of states are considering canceling their agreement with U.S.D.O.T. Mr. Dugoff also stated that "in 1981, 51 states inspected 3,600 operators and investigated 350 accidents, a tremendous increase over what the Federal Government can accomplish alone." In 1982, the states inspected 4,147 operators, found 12,235 noncompliances. The Act provides for 50% funding, but Mr. Dugoff stated the states would average 30% reimbursement for 1983 and the same for 1984. I assure Mr. Dugoff this amount will not provide the incentive for states to continue to participate.

NARUC supports maintaining the five regional offices within the Office of Operations and Enforcement, but first I would like to point out the man power of the O.O.E. in their Washington Headquarters. There are 4.2 persons, plus two secretaries for a total of 6.2 persons. " Exhibit A".

In regard to this, I would like to point out that the eastern region has 2 engineers and a part-time secretary; the southern region has 3 engineers, 1 technician, and a secretary; the southwestern region has 4 engineers and a

secretary; the central region has 4 engineers and a secretary; and the western region has 2 engineers and a secretary. This gives us a total of 15 engineers, technician and 4 secretaries representing the O.O.E. throughout the United States. This grand total of 26.2 persons are responsible for seeing that the Natural Gas Pipeline Safety Act of 1968 as amended and the Hazardous Liquid Pipeline Safety Act of 1979 are carried out.

In the Regulations Section in their Washington Headquarters there are 9 engineers and 3 secretaries. The Regulations Section is responsible for all gas, liquid, and L.N.G. Regulations. For this small group to write and interpret regulations is a tremendous responsibility. We also know that over 50% of all energy used in the United States is transported by pipeline. "Exhibit A".

The regional offices provide support to states in their regions. If this is a partnership between the federal-state governments, then we all must work closely to ensure the programs' success.

The regional chief monitors each state in his region once a year. I have been in the program nine years, and have only been monitored once a year. There are many times in a year that a state representative must speak with the regional chief about situations he is faced with, and at that moment. The state representatives in the western time zone have only 3 hours a day that they can communicate with someone at the O.O.E. Headquarters. When there is an interstate problem in the region, regional personnel can certainly respond quicker than someone who is over 1,000 miles away. By being able to contact a person in the Regional Office and discuss the problem of a violation versus the regulation, we insure uniformity throughout the country.

In 1982, the states' annual reports indicate that there were 169.79 person years in the Pipeline Safety Program. "Exhibit A".
Formal training for all federal-state pipeline safety personnel. All persons enforcing Parts 190, 191, 192, 193 and 195 must be able to interpret those

regulations and apply them to actual conditions in the field. There is no school in this country, that I know of, that will instruct federal and state inspectors how to enforce federal regulations other than T.S.I.

It is also good for federal and state inspectors to attend industry schools or seminars, but none of these schools offer programs addressing enforcement. In NARUC's opinion if an inspector and an operator are in the same class, the subject matter will not be discussed openly. It would be like sending a crook to school at a police academy.

We in pipeline enforcement are required to be knowledgeable in pipeline safety enforcement procedures, materials, pipe design, design of pipeline components, welding of steel in pipeline, knowledgeable in x-ray reading, joining of material other than by welding, construction requirements for transmission lines and mains, customer meters, service regulators and service lines, requirements for corrosion control, test requirements, uprating of systems, pipeline operations, pipeline maintenance, master meter operators, P.C.B., arson with natural gas, floods, bomb threats and, when they actually find explosives, investigation ability and testifying, state and local laws, and public safety. I believe this list gives you an idea of what is required of federal-state inspectors. There is no question in anyone's mind that T.S.I. is the one and only location that the 16 regional engineers and 169 full-time inspectors can obtain this knowledge as it relates to federal regulations thereby ensuring the uniformity of gas and liquid safety regulations. The state of the art in gas and liquid pipeline safety is constantly changing and the need for updating requires that these inspectors return to T.S.I. for updating their knowledge.

T.S.I. has two new courses, but can not put them on because of lack of funding and the inability of some state inspectors to travel to T.S.I. Another item in this area is the loss of well-qualified instructors leaving T.S.I., O.O.E., and the Regulation Section because of the U.S.D.O.T. ups and downs in this entire program for the last three years. During 1983, two instructors from TSI will hold 13 classes and 24 seminars throughout this country.

If Congress wants a higher level of safety for all citizens then some assurance has to be given to the states that the Pipeline Safety Program will receive adequate funding to retain the qualified personnel currently employed, while providing the necessary training to maintain the qualifications of these same employees.

CONCLUSIONS

The following statistics were prepared by the Information Systems Division, January 1982.

Gas transmission and gathering incidents in the United States from 1970-1980:

Accidents	6213
Employee fatalities	24
Employee injuries	138
Non-Employee fatalities	33
Non-Employee injuries	258

Total operator property damage for this same period was $69,197,537.

Gas distribution incidents survey data for 1970-1980:

Incidents	10,756
Employee fatalities	40
Employee injuries	366
Non-Employee fatalities	219
Non-Employee injuries	2,641
Operators property damage	$8,326,381

A draft report of the Inspector General's Office, dated 9-3-81, recommended that the Associate Director of O.O.E. strengthen the state programs and improve O.O.E.'s evaluation and monitoring processes.

The report also states that safety violations pose threats to life and property. Property damage between 1975 to 1978 amounted to $512.5 million. Unaccounted gas was another area ;the report discussed. In 1979, 372,320 million cubic feet were lost. States may accept a level of 5% unaccounted gas, but

some operators reported as high as 59%. During the past year, inspectors have been successful in reducing the unaccounted for gas.

A report of the U.S. General Accounting Office, dated April 26, 1978, stated:

"The Department of Transportation's Office of Pipeline Safety Operations is responsible for developing and administering a comprehensive and effective pipeline safety program, but a number of significant problems and weaknesses exist. There is a need for

-more complete and effective pipeline safety regulations,

-strengthen State pipeline safety programs,

-improved compliance efforts,

-more effective data analyses, and

-increased attention to staffing requirements."

Pipeline Safety

Gas and hazardous liquid pipelines in the United States total about 1.5 million miles and transport more than one-half of the nations energy supply. These pipelines carry large quantities of extremely volatile substances often under high pressure and expose large segments of the population to potentially catastrophic incidents. "Exhibit A".

Annually there are hundreds of thousands of pipeline leaks most of which are discovered and repaired before major incidents can occur. Unfortunately a number of these leaks do result annually in deaths and serious injuries. Considering the many miles of pipelines, these statistics indicate that pipeline transportation is relatively safe. Nevertheless, with the many individual systems of diverse size, age, materials, and overall quality, as well as the eighty-eight thousand operators of varying capabilities, there is a very real and continuous concern over the catastrophic potential of the flammable and explosive materials which move through the system.

Need To Strengthen The State Programs

The Natural Gas Pipeline Safety Act of 1968 permitted states to assume responsibility for enforcing the safety standards for intrastate gas pipelines and

provides for state assistance in the enforcement of the safety standards for interstate gas pipelines.

Although most states participate in the federal program, none of the states have accepted responsibility for all types of gas pipeline operations. The states have a major enforcement role, however, because 2300 of the 2900 gas pipeline operators are under state jurisdiction.

The Act requires the Federal Pipeline Safety Office to annually approve state participation in the gas safety program and to ensure enforcement of federal-state standards. If the office determines that enforcement is not adequate it may refuse to certify the state and assert federal jurisdiction over the gas safety program.

Other Safety Issues Needing Attention

There are a number of other pipeline safety issues which, although they represent actual or potential safety problems, have not received adequate attention. For example, one area that has received little attention from the OOE is the compliance inspection of the many thousands of master-meter operators who provide gas through their own lines to facilities such as apartment complexes and trailer parks. Many of these operators may not be aware of the federal safety regulations. In the 22 states which have not assumed jurisdiction over such operators, the Pipeline Safety Office is responsible for operator inspections and enforcement of safety standards. However, it is not fulfilling its responsibility of monitoring these operators.

Federal Office of Operations and Enforcement Staffing

The Office's effectiveness in developing and enforcing a comprehensive pipeline safety program has been hampered by staffing problems.

Historically, the Office has operated with a small staff. In fiscal year 1977 it had 26 professional and 14 clerical positions. Having a small staff appears to have impacted most of the workload of the five regional offices

which are charged with ensuring operator compliance with the safety standards. Each regional office is staffed by one or more professionals and a secretary, who must monitor (1) the Gas Pipeline Safety Programs conducted by the states with jurisdiction over about 2300 operators, (2) about 600 Gas Pipeline Operators not subject to state jurisdiction, (3) about 168 liquid pipeline operators. The staffing, particularly in the regional offices, is not adequate for carrying out the mandated responsibilities in a comprehensive, effective and timely manner. "Exhibit A".

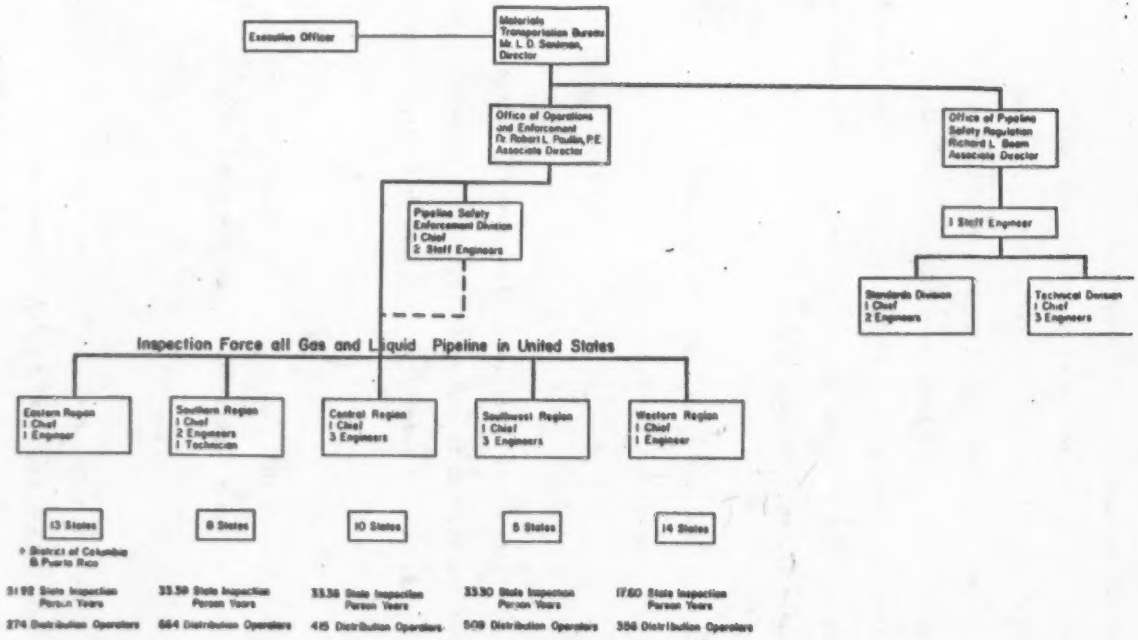
In 1984, the U.S.D.O.T. was going to request $1,000,000 for a Hazardous Liquid Federal/State Grant Program, but the Administration did not include that item in the budget.

38 states have Intrastate Liquid Operators, there are 227 Intrastate Operators and 12 states have legislation to assume jurisdiction. This is an ideal time to start this program, because some of these operators have not seen a federal inspector yet. "Exhibit A".

NARUC respectfully requests this Committee to put $1,000,000 into the 1984 budget for a Hazardous Liquid Federal/State Grant Program to carry out the 1979 Act.

Mr. Chairman as these facts indicate, NARUC's deep concern expressed today are supported by actions to cut the Pipeline Safety Programs currently being taken and seriously considered by many of the states. I urge the members of this Committee to continue to support the pipeline safety grant program at a funding level that will ensure the public health and safety of all Americans.

MATERIALS TRANSPORTATION BUREAU



GAS

Interstate Gas Pipeline Operators 122
Intrastate Gas Pipeline Operators 2983
Master Meter Operators 80,000

Miles of Interstate Transmission Pipelines 350,938
Miles of Intrastate Pipelines 1,014,101

LIQUID

Interstate Liquid Pipeline Operators 188
Intrastate Liquid Pipeline Operators 227

Miles of Interstate Transmission Pipeline 177,345
Miles of Intrastate Pipelines 42,002

OTIS ELEVATOR CO.

STATEMENT OF RICHARD H. DONLON, MANAGER, MARKETING AND SALES, TRANSPORTATON TECHNOLOGY DIVISION

Senator ANDREWS. Our next witness is Mr. Richard Donlon, Otis Elevator Co., Transportation Technology Division.

Mr. DONLON. Mr. Chairman, on behalf of the Otis Elevator Co., and parent corporation, United Technologies, I wish to thank you and members of the committee for your consistent and strong support of UMTA's advanced group transit program known as AGRT.

Because of your support and the 1983 appropriation, I am pleased to report that Otis has made substantial progress over the last year toward the congressionally directed objective of having an AGRT test system begin operations in 1984.

An aerial photo of the Otis AGRT test site has been provided to the committee. This track has a length of over 1 mile and is comprised of two loops plus an off-line station. This will permit testing of the advanced moving-block control systems and vehicles with close interval merging and diverging at headways down to 3 seconds and will confirm the performance of typical urban stations.

Manufacturing of the test vehicles and control equipment is in process to allow the start of test operations in the second half of 1984. This is the heavy expenditure phase of the program—which will peak in 1984—and decline sharply thereafter, with the completion of testing in 1985 and final reports in the first half of 1986.

Summary or request—specifically, to hold this schedule and make the benefits of AGRT available to our cities starting in the second half of the eighties, it is respectfully requested that the committee fund AGRT at a level to complete the system testing on schedule in 1985. For this, Otis would require $9.03 million in 1984; $3.88 million in 1985; plus $1.66 million for the conclusion in 1986.

AGRT offers an approach to mass transit for our cities consistent with administration policy in accordance with the hope of each member of this committee, namely, one which can be financed locally by bond issues without Federal assistance and for which debt service and O. & M. costs can be recovered primarily from fares.

It is estimated that AGRT can attract 2½ times as many riders during rush hours and 5 times as many riders in off-peak hours as bus systems serving the same congested areas.

AGRT vehicles will operate on a demand basis, much like elevators during off-peak periods. This will avoid serious problems in bus and light rail, of having large fleets of virtually empty vehicles with a substantial labor force serving routes during off-peak periods with the attendant waste of money and energy.

The essence of AGRT is the application of latest state of the art automatic control plus off-line stations to provide significant productivity improvement over existing labor intensive mass transit as well as service and cost benefits over existing forms of automated transit.

Mr. Chairman, Otis believes that current modes must be supported because, in spite of declining ridership and high costs, they are the only act in town and are essential for a significant marginal group of people who do not have access to the automobile.

We must search for something that will attract the ridership because it is faster, more convenient and more comfortable. That is why this AGRT program exists. That is why when we are so close to success we are requesting your continued support to fund the program so that it can be completed on schedule.

AGRT should also offer the possibility of competing with foreign manufacturers in foreign markets with the potential to add to our exports and improve our balance of trade. This should make it more difficult for foreign transit products to invade our domestic market.

As you know, Mr. Chairman, AGRT is a program that started out as a Government-industry partnership with selected contractors cost sharing in the initial phase.

In addition, to qualify for the initial phase and to provide the ongoing support necessary to develop AGRT, Otis has spent in excess of $13 million of its own funds. Overall, private industry has spent many times this amount in developing technologies for automated mass transit.

In conclusion, we respectfully request the continued valuable support of this committee to complete the AGRT development on schedule and permit consideration of intitial deployments in U.S. cities starting now.

Thank you.

Senator ANDREWS. Thank you, Mr. Donlon.

[The statement of Mr. Donlon follows:]

STATEMENT OF RICHARD H. DONLON

Mr. Chairman and Members of the Committee, I am Richard Donlon, the Senior Program Manager of the Transportation Technology Division of the Otis Elevator Company, a subsidiary of United Technologies Corporation (UTC). We thank you, Mr. Chairman and Members of the Committee, for your consistent and strong support of the Advanced Group Rapid Transit (AGRT) Program of the Urban Mass Transportation Administration.

AGRT is a new form of automated guideway transit using electrically-propelled vehicles, operating on narrow, elevated guideways. The Otis AGRT vehicles employ a very efficient air suspension system and an electromagnetic propulsion system using linear induction motors. These vehicles will serve networks of stations within dispersed city centers--with connecting corridors between the centers and outlying areas, where warranted by traffic demand. Service can be provided to points within walking distance, covering entire downtown areas. Typical trips within the downtown area will take no more than five minutes. Systems as small as 10 to 20 lane miles are economically practical and cost-effective in comparison to other forms of inner city transit. Capacities and networks are readily expandable to serve increased demand.

Because of your support and the 1983 appropriation, I am pleased to report that Otis has made substantial progress over the last year toward the Congressionally-directed objective of having an AGRT test system begin operations in 1984. An aerial photo of the Otis AGRT test site has been provided to the Committee. This track has a length of over one mile and is comprised of two loops plus an off-line station. This will permit testing of the advanced moving-block control systems and vehicles with close interval merging and diverging at headways down to three seconds and will confirm the performance of typical urban stations. Manufacturing of the test vehicles and control equipment is in process to allow the start of test operations in the second half of 1984. This is the heavy expenditure phase of the Program--which will peak in 1984--and decline sharply thereafter, with the completion of testing in 1985 and final reports in the first half of 1986.

17-540 O—84——55

SUMMARY OF REQUEST

Specifically, to hold this schedule and make the benefits of AGRT available to our cities starting in the second half of the eighties, it is respectfully requested that the Committee:

1. Fund AGRT at a level to complete the system testing on schedule in 1985. For this, Otis would require $9.03 million in 1984; $3.88 million in 1985; plus $1.66 million for the conclusion in 1986. And,

2. Direct UMTA to support contractor efforts to complete the system testing and to develop and provide detailed applications information on AGRT to the transit properties.

CURRENT BACKGROUND

UMTA has proposed a budget of $47 million, in fiscal year 1984, for research and training, under Sections 6, 10 and 11. As you know, for the second straight year there are no funds included for AGRT; however, there are two problems associated with the budget request besides the omission of AGRT funds; one philosophical and one procedural. Philosophically, the budget attacks an area that should be more properly included in the private sector; namely, component improvements in bus and rail transit equipment. While such improvements--for brakes and air conditioners--are required, they are the logical responsibility of the transit supplier industry, in our opinion. As for the procedural problem, the budget allocates funds from the Research and Training Sections (6, 10 and 11) when--if they are to be used for component evaluations--they should more properly be allocated under Section 3(a)(1)(c) of the Mass Transportation Act of 1964, which explicitly provides for such use. As currently structured, the budget uses the scarce R&D funds for the wrong purposes and, thereby, deprives new and promising technologies from being brought to fruition.

With the decreasing availability of Federal financing of capital needs and the proposed elimination of operating subsidies for public mass transit systems, it is essential to re-examine the role of transportation in our cities and to consider systems which can meet the needs more effectively. It would also seem that Federal development of such systems should take on new importance because it is of national interest and localities cannot afford the necessary R&D expense.

AGRT offers an approach to mass transportation for our cities, consistent with Administration policy and in accordance with the hope of each member

of this Committee--namely, one which can be financed locally by bond issues, without Federal assistance, and for which debt service and O&M costs can be recovered primarily from fares.

According to a new Census Bureau analysis[1], there has been a steady decline in commuting workers using mass transportation...from about nine percent, in 1970, to about six percent in 1980. This has occurred because of the continuing dispersal of workers and jobs away from urban centers. In addition, declines in ridership of all types are reported, on the average, for the nation as a whole. The report recommends that "for transit to retain its public, it must better adapt itself to the changes in urban form and customer preference that are taking place around it."

AGRT is particularly well-suited to serve the high traffic segments of the mass transit needs for our multi-nucleated cities. The important point is that AGRT can provide attractive service within and between urban activity centers for life cycle costs about two-thirds those of bus systems[2] and for capital and O&M costs lower than light rail systems[3].

A 1980 report from the Office of Technology Assessment, entitled "Impact of Advanced Group Rapid Transit Technology,"[4] stated:

> "Unless cities adopt forms of transportation that require less energy and space, they face a future of greatly increased traffic congestion and reduced mobility. Barring major policy changes, traffic congestion in cities is expected to double between 1975 and 2000. In addition, people dependent on public transportation will find it increasingly difficult to travel, particularly to dispersed suburban job centers where most of the employment growth is occurring."

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1 The New York Times, Thursday, March 31, 1983, "New Mass Transit Data Rekindle Urban Issue."

2 Comparison of Life Cycle Costs for Bus Systems and AGRT, Study by Otis Elevator Company, 1981. ATTACHMENT 2.

3 Report No. UMTA-IT-06-0188-79-1, "Supplement I, Summary of Capital and Operations and Maintenance Cost Experience of Automated Guideway Transit Systems Costs and Trends for the Period 1976-1978," prepared for U.S. Department of Transportation. ATTACHMENT 3.

4 Office of Technology Assessment, "Impact of Advanced Group Rapid Transit Technology," January, 1980.

The same OTA report also stated that:

> "AGRT technologies appear capable of providing service levels that the public wants but cannot get with currently available transit technology."

We agree with the need for the Administration and the Congress to find ways to reduce budget deficits and work toward a balanced budget. The AGRT Program is specifically directed to this end by providing the opportunity to partially replace or expand current modes of public transit with more cost-effective and high-quality service. This will help to reduce the need for transit subsidies and make local financing a practical consideration.

I would like to briefly review the key characteristics of AGRT.

AGRT CHARACTERISTICS

In addition to the top level features described earlier, AGRT systems can be installed in small increments--typically, 10 to 20 miles--to extend service when and as required, without interrupting existing operations. Demand increases of 100% or more can be readily accepted without deterioration of service. In fact, service will actually improve with increased demand because it will justify more frequent and diverse service scheduling.

As you know, this is not the case with typical rail systems which require extensive mileage, many expensive stations and massive investments of billions of dollars to provide meaningful service. In rail systems, expansion typically means more stops, longer trains, and the attendant need for even longer stations--which must be built at the outset based on estimates of future demand. AGRT station platforms will be off-line and 40 to 60% shorter in length than those required by on-line trains to handle equal demand. This makes it practical to provide AGRT service directly to existing buildings and parking structures and precludes the need for large, expensive, free-standing station structures which severely impact the downtown architectural environment.

Most important, AGRT can provide improved quality of service with lower combined travel and wait times and with few or no intermediate stops or transfers. This quality of service is required to attract riders from their automobiles. Conventional transit--as necessary as it is--has not done this.

It is estimated that AGRT can attract two and one-half times as many

riders during rush hour, and five times as many riders in off-peak hours, as bus systems serving the same congested areas. AGRT vehicles will operate on a demand basis (much like elevators) during off-peak periods. This will avoid the most significant problem encountered in bus and light rail systems--that of having large fleets of virtually empty vehicles, with a substantial labor force, servicing routes during off-peak periods, with the attendant waste of money and energy.

The 1978 average operating and maintenance costs for five existing small automated guideway systems was 17¢ per passenger trip; as compared with 49¢ for buses and 58¢ for rail rapid transit.[5]

In addition to improved service level, AGRT can provide both express and local service on the same route. A mixed fleet of small and large vehicles can be used to provide the equivalent of automated taxi and bus service with a differentiated fare structure. These flexibilities are simply not available with current rail or on-line automated transit forms.

In comparison studies of AGRT with existing light rail or train service, a key point is that the AGRT control technology--in combination with off-line stations--permits much better management of the vehicle fleet resources. For example, a savings of 20 to 30%, in the vehicle fleet size required to meet a given demand, can be achieved with AGRT technology. There will be an accompanying savings in the annual operating and maintenance costs.

The technology embodied in AGRT can also be used to expand the service areas of existing rail properties--such as Washington, D.C. In older rail properties, the retrofit application of AGRT control technologies can result in a 20 to 30% increase in line capacity on the existing right-of-way.

In summary, the essence of AGRT is the application of latest state-of-the-art automatic control to provide significant productivity improvements over existing labor-intensive mass transit, as well as service and cost benefits over existing forms of automated transit. This new control technology is based on the dramatic breakthroughs in microcomputer developments over the last ten years and simply was not available heretofore. And, AGRT is

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5 N. D. Lea and Associates, "Summary of Capital and Operations Cost Experience of Automated Guideway and Maintenance."

designed to fit congested areas, on elevated guideways, better than other current forms of fixed guideway transit.

Data provided by the American Public Transit Association shows that 97% of our U.S. cities must rely on buses as their sole means of public transportation.[6] The record of the last ten years clearly establishes that the Federal policies which have been implemented, whether intentionally or unwittingly, are assuring that the bus is the only alternative to the automobile in the vast majority of U.S. cities.

We now hear of increasing interest in light rail systems in many of these same cities. This is because they have no other reasonable alternative. They cannot afford heavy rail and the bus, simply, does not adequately serve their needs in congested areas. Let's consider what light rail really is, Mr. Chairman. It is a system which uses driver-operated vehicles, operating on a combination of exclusive rights-of-way and city streets, mixed with other traffic. In reality, light rail is less effective than a bus system with dedicated lanes or corridors because the light rail does not provide flexibility of route alteration, as the need changes; whereas, a bus system does. In addition, light rail capital, operations and maintenance costs are significantly higher than bus systems' costs.

For the reasons stated earlier, Otis believes that AGRT can provide a significant improvement in both service and life cycle cost over either of these current forms. We say, however, that current modes must be supported because--in spite of declining ridership and high costs--they are the "only act in town"--and are essential for a significant marginal group of people who do not have access to the automobile.

We must search for something that will attract the ridership--that bus and light rail can't get--because it is less costly, faster, more convenient and more comfortable. That's why this AGRT Program exists...and that's why, when we're so close to success, we are requesting your support to fund the Program so it can be completed on schedule.

As you know, Mr. Chairman, AGRT is a program that started out as a government/industry partnership with the selected contractors cost-sharing

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6 Transit Fact Book, 1978-1979 Edition, American Public Transit Association.

in the initial phase. In addition, to qualify for this initial phase and to provide the ongoing support necessary to develop AGRT, Otis has spent in excess of $13 million of its own funds. Overall, private industry has spent many times this amount in developing technologies for automated mass transit.

Valuable time, the investment in experience and know-how, and confidence will be lost in any government/industry venture if the program were to be terminated or downgraded to a component development program.

In terms of the approach to AGRT development, this is--by far--the best planned program in the history of U.S. mass transit R&D. The engineering development phase of this Program will be completed during the next two and one-half years with continued funding at requested levels. The test track system will verify all of the key performance attributes of AGRT, in a system environment, prior to deployment in cities.

In conclusion, we respectfully request the continued valuable support of this Committee to complete AGRT development on schedule and permit consideration of initial deployments in U.S. cities starting now.

We believe that a successful demonstration of the AGRT technology, on the test track, will provide an alternative system which will prove attractive to our country's transit properties. It should also offer the possibility of competing with foreign manufacturers in foreign markets--with the potential to add to our exports and improve our balance of trade. This should make it more difficult for foreign transit products to invade our domestic markets.

United Technologies Corporation states, without qualification, that AGRT prototype systems--ready for urban deployment--can be developed and deployed within this decade, given the requested resource levels and continuity of purpose.

Thank you for your consideration.

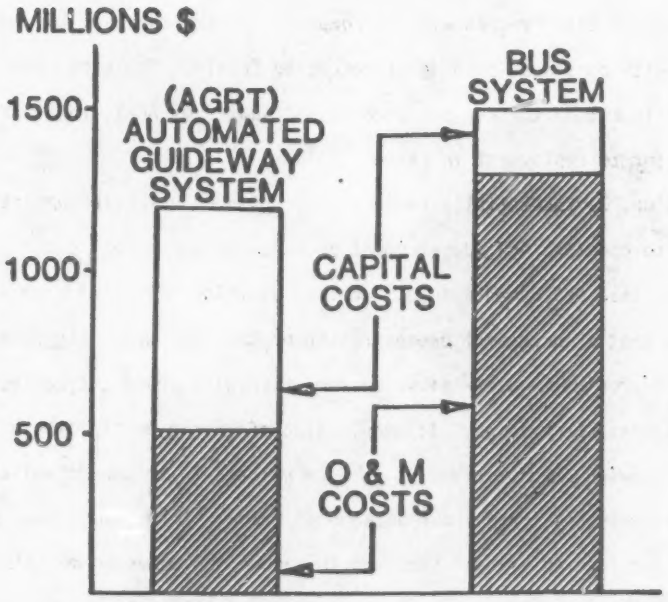
ADDENDUM

Otis has reviewed the public testimony given by UMTA before the House Transportation Subcommittee on April 19-20, 1983, in response to questions on AGRT from the Subcommittee. We respectfully submit our position on some of these questions in Attachment 4 to this Testimony.

STUDY BY OTIS ELEVATOR COMPANY, 1981 ATTACHMENT 2

25 MILES – 30 YEAR LIFE
EQUAL PATRONAGE (17600 PPH)

PRESENT VALUE LIFE CYCLE COSTS



8 % DISCOUNT RATE (MUNICIPAL BONDS)

9 % INFLATION

_NO DEPRECIATION DEDUCTION

This life cycle cost comparison was based on 100% local financing using 1980 dollars, APTA national average costs for buses, 12 year bus replacement life, $20 million/mile AGRT capital costs; 12 year controls replacement; 20 year vehicle fleet replacement; and Air Drive O&M costs. Alternative discount and inflation rates from 8% to 12% were also evaluated.

ATTACHMENT 3

COST CHARACTERISTICS OF RAIL, BUS AND AUTOMATED TRANSIT SYSTEMS

The following pages of this Attachment were compiled from the current literature on these systems to illustrate comparative cost characteristics. In each case, the source of the information is identified. The average cost characteristics shown for the Automated Guideway Transit (AGT) systems are considered representative of AGRT costs.

Issue 1: The Need For More Advanced Automated Systems

Will AGRT offer significantly lower cost and superior service than other types of urban transit?

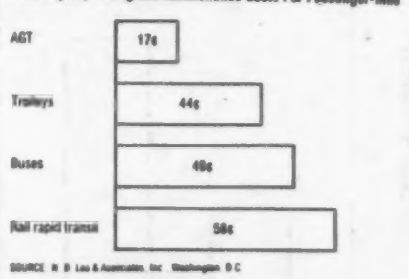
There is considerable support at the local level for continuing work on AGT technologies, both among transit users and public officials. Users and nonusers alike are critical of the amenities, frequency of service, reliability, crowding, and inconvenience characteristic of transit services currently available in most cities. Technological innovations encompassed in the AGRT program include new electronic control systems, linear induction motors, magnetic levitation systems, high-speed switching, and emergency braking for short headway operations. These advances in technology offer several potential benefits to transit operators and users:

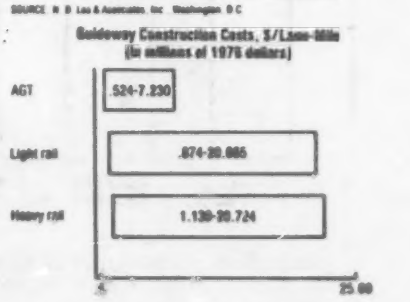
- service flexibility comparable to vans or taxis coupled with the carrying capacity of a trolley car system or a multilane freeway,
- lower cost per mile of guideway than for heavy-rail transit systems thus permitting the construction of more extensive guideway networks for a fixed capital investment,
- rapid origin-to-destination service with few or no intermediate stops and no transfers, and
- substantially increased frequency of non-rush hour service.

Systems incorporating these technologies could transport people and goods into activity centers as well as provide circulation within downtown and suburban activity centers. While there is widespread agreement that these changes in service levels would be beneficial, several potential problems have been identified that need to be more fully addressed:

- reliability of new technology;
- community acceptance of elevated guideway designs;
- evacuation of passengers stranded on narrow elevated guideways;
- operating problems in ice and snow;
- public resistance to riding small, automated vehicles in the company of strangers; and
- verification of lifecycle cost estimates.

UMTA has sponsored studies that compare the capital and operating costs of AGRT with other transit options. The results show that there are great variations in cost from system to system which make generalized cost comparisons virtually meaningless. For example, operations and maintenance (O&M) costs per vehicle-mile for the 10 existing AGT systems range from $0.49 to $6.55. Average O&M costs per passenger-mile for AGT ($0.17) compare very favorably with trolleys ($0.44), buses ($0.49), and rail rapid transit ($0.58). However, the O&M costs per passenger-mile for AGT ranges from $0.09 to $1.01. Consequently, comparisons of average costs across broad categories of systems tend to be misleading. There are also wide variations in the capital costs of these systems which reflect site-specific differences in topography, guideway design, local labor rates, and system design requirements. More reliable comparisons need to be made through analysis of individual community requirements.





No reliable techniques exist for estimating ridership on such systems because they embody service characteristics presently unavailable on public transit. Until some actual operating experience is accumulated, claims about costs per passenger-mile on AGRT systems cannot be verified. Surveys show that the service attributes made possible by AGRT technologies are regarded favorably by the public. However, survey data is not always a reliable indication of future behavior. A limited test of these new service levels will be required to verify the survey findings.

In summary, we find that:

- AGRT technologies appear capable of providing service levels that the public wants but cannot get with currently available transit technologies.
- Capital and operating cost estimates for AGRT compare favorably with the costs of installing and operating heavy-rail systems on exclusive guideways. However, there are large variations in capital and operating costs among the 10 operational automated guideway systems. Precise comparisons with other transit technologies will require further testing of AGRT systems and real-world experience.
- Additional system optimization studies are needed to determine the preferred vehicle size, seating capacity, guideway configuration, headway, and line speed of future AGT systems. The views of transit operators and the public should play a central role in this analysis.

"SUPPLEMENT IV, COST EXPERIENCE OF AUTOMATED GUIDEWAY TRANSIT SYSTEMS"
DECEMBER, 1982
U. S. Department of Transportation, Urban Mass Transportation Administration

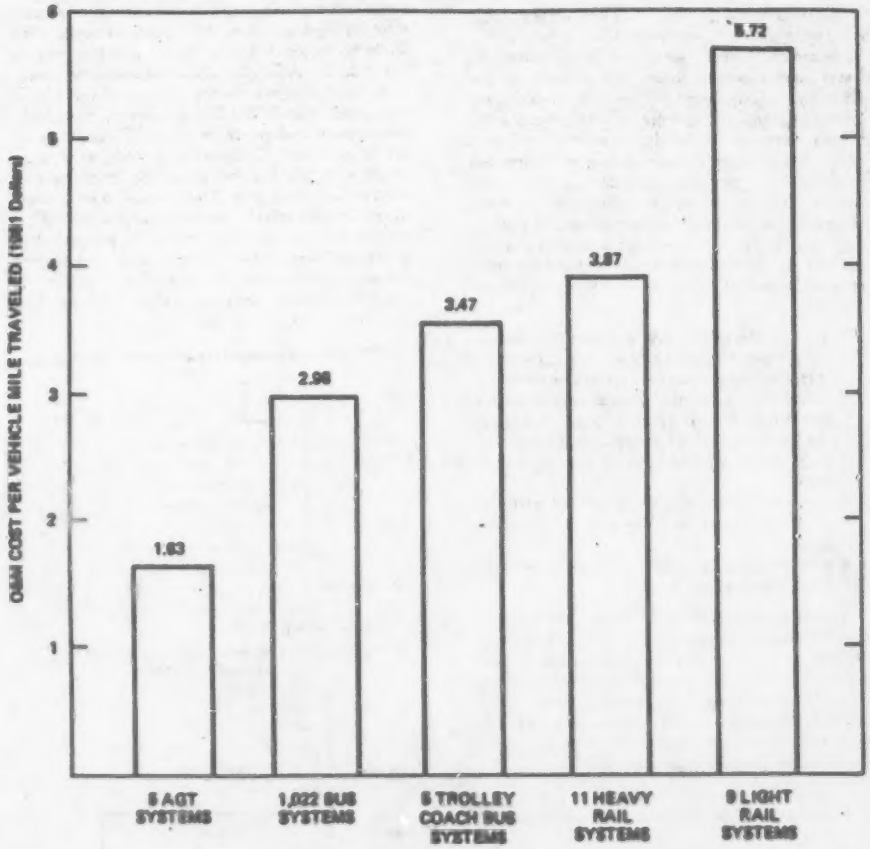


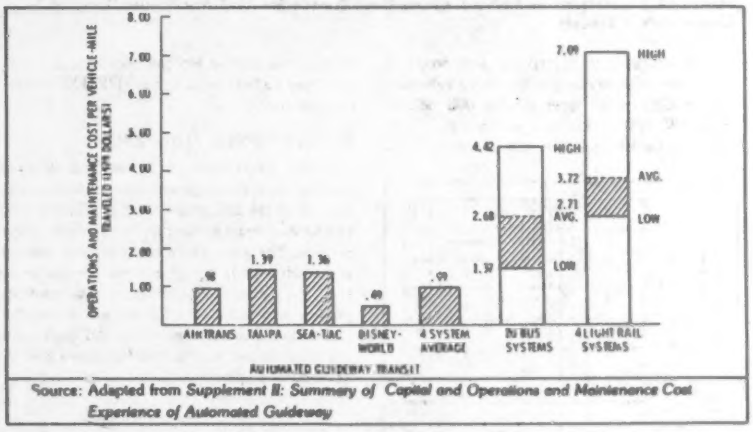
FIGURE 5-16. COMPARISON OF O&M COST PER VEHICLE MILE TRAVELED FOR FIVE DIFFERENT TRANSIT MODES

Operation and Maintenance Costs

It is even more difficult to generalize the costs of operating and maintaining AGT systems. Operation and maintenance (O&M) costs, like capital costs, depend on the type of AGT technology and on site-specific conditions. Simpler SLT systems generally require less maintenance than GRT. Certain subsystems, such as air cushion suspension, may bring O&M savings that are not yet evident due to lack of operating experience. Climate and topography, management and maintenance policies, and the local level of labor and power costs all influence O&M costs.

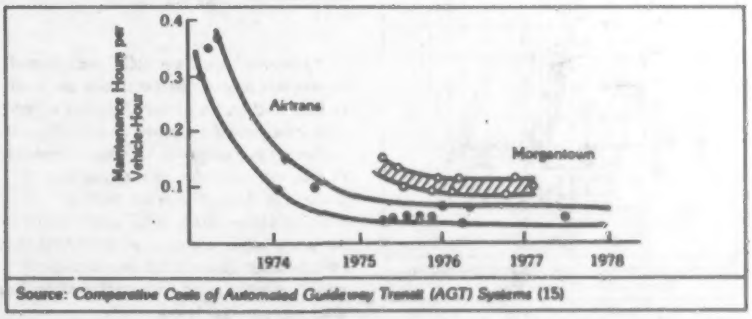
Based on the limited experience available, AGT systems compare favorably with bus and light rail in terms of O&M costs measured in cost per vehicle-mile (see Figure 12). Experience indicates that AGT system maintenance reaches a degree of operational "maturity" in a short period of time. That is, initially high maintenance requirements are quickly reduced as operations become routine, as illustrated in Figure 13. Furthermore, O&M costs remained stable or decreased over the years of data collection despite inflationary pressures, which generated an average 4% increase per year above the Consumer Price Index in the O&M costs of conventional transit. This is shown in Figure 14.

The potential future savings in O&M costs, especially if they remain relatively stable during inflationary periods, are very important for those who decide whether or not to make capital investments in AGT systems. O&M cost savings will be a key determinant of AGT's fiscal viability. In order to be able to take all of these factors into consideration, a life-cycle cost model has been developed. (20) It is capable of making total cost comparisons that are sensitive to unit costs, life expectancies, inflation rates and interest rates. This work concluded that interest and inflation rates are of extreme importance. An AGT system which is economically unattractive in 1975 may be fiscally sound in 1985. Thus it is important to identify not only where but also *when* a particular AGT installation is cost-competitive.



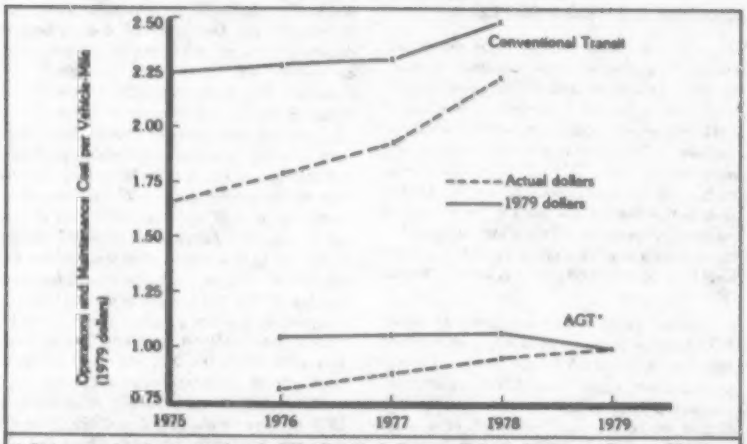
Source: Adapted from *Supplement II: Summary of Capital and Operations and Maintenance Cost Experience of Automated Guideway*

Figure 12 Comparison of Operations and Maintenance Costs



Source: *Comparative Costs of Automated Guideway Transit (AGT) Systems* (15)

Figure 13 AGT Maintenance Experience Indicates that Labor Requirements Drop after an Initial Period of Learning

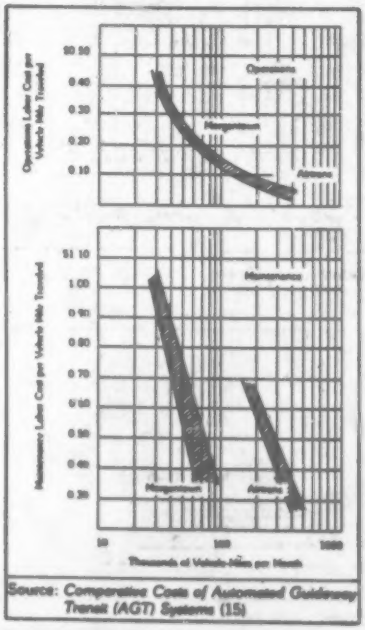


*AGT figures are based on statistics from the Dallas/Fort Worth, Disneyworld, Seattle-Tacoma, and Tampa AGT systems.

Source: *Supplement II: Summary of Capital and Operations & Maintenance Cost Experience of Automated Guideway Transit Systems* (25)

Figure 14 Operations and Maintenance Cost Trends for AGT Are Stable Relative to Conventional Transit

As indicated in Figure 15, economies of scale have been realized in the more extensive Airtrans GRT, which operates 300,000 vehicle-miles (480,000 vehicle-kms) per month. These costs per vehicle mile are approximately 40% those of the smaller Morgantown system, which averages 45,000 vehicle-miles (72,000 vehicle-km) per month.



Source: *Comparative Costs of Automated Guideway Transit (AGT) Systems* (15)

Figure 15 Larger Scale AGT Systems Tend to Have Lower Labor Costs per Unit of Travel

Alternatives Analyses

The alternatives analyses and markets research activities both seek answers to the question of where and under what conditions AGT can be effectively applied to the American urban context. The alternatives analyses have used an approach that is not specific to any particular city. The markets research uses a case study approach in which local officials were involved in exploring the issues of planning and implementing AGTs in real and familiar situations and will be described later.

In "generic" studies, AGT was found to attract two to three times as many riders and to be generally cost effective compared to other modes for circulating passengers in major centers. For major corridor movements and traveling throughout an entire metropolitan area, AGT was found to be somewhat more cost-effective than rail transit. Both were more expensive but also more attractive than bus and busway systems.

FIGURE 15 NOTES

- The average capital cost of the 5 major AGT systems per equivalent route mile was $24.3 million in 1978 dollars. This is quite comparable to the cost for 3 recent light rail systems for which cost data was available. For the 5 newest rail rapid transit systems, WMATA, BART, ATLANTA, BALTIMORE and MIAMI, the average capital cost per equivalent route mile is $43.1 million.
- Lowest in capital cost on a route mile basis was the Shirley Highway exclusive busway serving the Washington, D. C. suburbs, which averaged $20.0 million.
- Actual route miles were adjusted uniformly by applying an 0.4 factor for surface or at grade mileage and a 3.0 factor for underground distances. For AGT which involves substantial ramps, test loops, etc., equivalent route miles were estimated by dividing total equivalent elevated lane miles by 2.2.
- The position of each bar on the horizontal scale indicates the systemwide service capacity provided for each of the four modes, expressed in place miles per route mile per year. For comparison purposes, vehicle capacities were calculated on the basis of 4 sq ft of gross area per passenger. Annual mileage was either obtained from operating records or estimated on the basis of the size of the proposed vehicle fleet and overall averages for rapid rail (44,753 vehicle miles per vehicle owned per year) and light rail (22,480 vehicle miles per vehicle owned per year) developed from the APTA Transit Operating Report.
- Whereas AGT and light rail capital costs were approximately equal, the AGT systems surveyed provided a 78 percent greater service capacity. Thus, for the same average capital cost, the AGT systems operated almost two times more passenger place miles over each mile of route than the light rail systems.

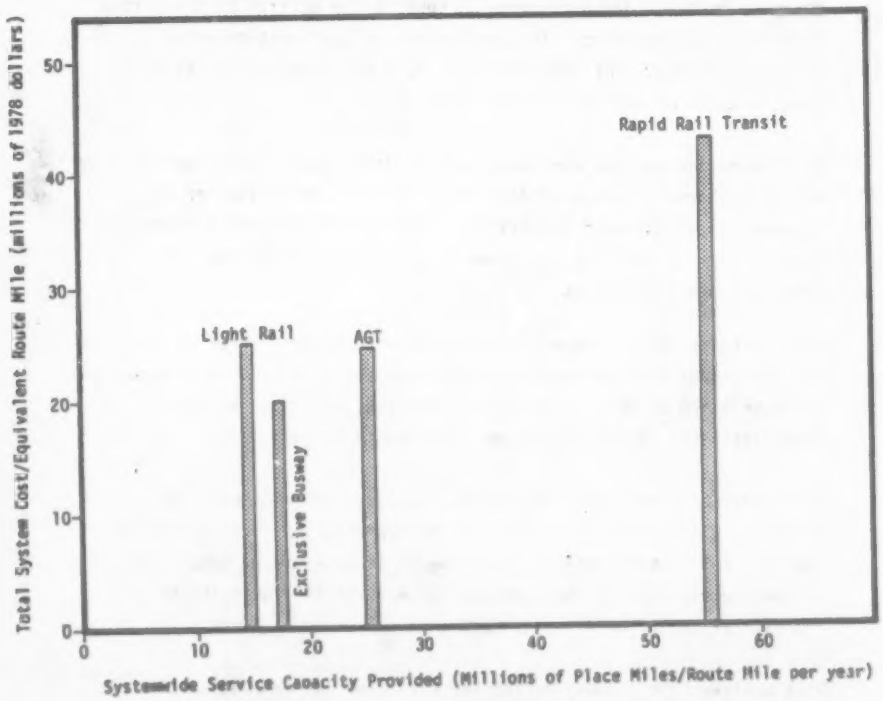


FIGURE 15: COMPARISON OF CAPITAL COST AS RELATED TO SERVICE CAPACITY PROVIDED

ATTACHMENT 4

COMMENTARY ON UMTA'S RESPONSES
TO
QUESTIONS ON AGRT FROM THE HOUSE TRANSPORTATION SUBCOMMITTEE
DURING TESTIMONY ON
APRIL 19-20, 1983

1. The question was raised as to what is the market for AGRT?
In response, UMTA stated that, "Nobody is now ready to walk out and buy an AGRT." And later, "It has potential, but it has not been selected for any city as such."

OTIS POSITION:
The UMTA response is correct, but incomplete, for several reasons:

A. The AGRT technology has not been fully developed and demonstrated. No city will be willing to risk a capital investment in an advanced technology system which has not been seen nor proven. That is why the AGRT Program is structured to demonstrate operations in a test system environment, prior to deployment, so that transit properties can witness these demonstrations to confirm the ability of the system to perform as specified. The development of test systems also provides the basis for confirming the cost of urban installations--both in terms of capital and O&M costs.

B. No information has yet been developed on the installation, service and cost characteristics of AGRT for distribution to planners and managers in the transit properties. Last year's Conference Committee Report language specifically directed that such information be developed and distributed.

This activity has not been authorized by UMTA as yet. Otis is in the process of developing such information and is scheduled to make a presentation on AGRT installation, service, operation and cost characteristics to the APTA Annual Meeting in October, 1983.

There have been two recent meetings, sponsored by UMTA, with the APTA/AGRT Liaison Board to describe the technical characteristics of the Otis AGRT system design. These meetings have proved beneficial in opening dialogue on the technical aspects of AGRT with these representatives of APTA properties.

Otis believes the primary market for AGRT lies in the congested business centers and urban commuting corridors of our multi-nucleated cities; especially, the 97% of our cities which do not already have rail systems. AGRT can also provide an effective means of extending the area served by heavy rail stations.

97TH CONGRESS 2d Session | HOUSE OF REPRESENTATIVES | REPORT No. 97-960

MAKING APPROPRIATIONS FOR THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1983, AND FOR OTHER PURPOSES

DECEMBER 13, 1982.—Ordered to be printed

Mr. LEHMAN, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 7019]

Page 16...

URBAN MASS TRANSPORTATION ADMINISTRATION

ADMINISTRATIVE EXPENSES

Amendment No. 52: Appropriates $28,081,000 as proposed by the Senate instead of $28,250,000 as proposed by the House.

RESEARCH, DEVELOPMENT, AND DEMONSTRATIONS AND UNIVERSITY RESEARCH AND TRAINING

For advanced systems research, the sum of $14,500,000 is recommended for the continued development of the Advanced Group Rapid Transit (AGRT) System, including magnetic levitation, with no more than $600,000 thereof to be used for UMTA's support contractors. The conferees do not agree with UMTA's budget proposal which allocates no funds for this research. The conferees direct UMTA to utilize the $14,500,000 recommended to maximum effectiveness in building controls, test track, and vehicle equipment, as necessary, to validate AGRT with initial test results in 1984 so that the performance benefits of AGRT may be demonstrated to the transit properties. Notwithstanding the technical objectives, efforts should be directed toward making applications information on AGRT available to the transit properties.

2. A question was asked as to whether it would not have been better for the Federal Government to have set up the AGRT test tracks in Pueblo--and whether the Government would have saved money by doing so.

The UMTA response was that "there would have been a savings of millions of dollars if it had taken place at Pueblo." A further response was that "a study of this matter was conducted several years ago, at UMTA's request, and that because each contractor had different requirements, it probably made sense for each to build its own test track."

OTIS POSITION:

The study referred to above, on the nature and location of the AGRT test track(s) was conducted by UMTA, Boeing and Otis in 1978--partially in response to a request by the House Transportation Subcommittee. The conclusion was, as stated, that each contractor should build its own test track because this approach would yield the least cost to government in dollars and time.

The evaluations, on whether the tracks should be located at Pueblo or near the contractors' plants, resulted in UMTA direction to design "minimum" test tracks to be located near the respective plants.

To claim that there are significant savings in placing the tracks at DOT-Pueblo, simply cannot be substantiated.

There are both cost and productivity benefits in having the track near the home base plant. Otis estimates that the savings in management and logistics costs--which would be associated with track construction and testing in Pueblo--would exceed, by a fair margin, the cost of leasing the land near Denver and restoring the site upon completion of the Engineering Development Phase. But we are talking of several hundred thousand...not millions of dollars. Furthermore, our experience in having construction contractors quote construction at both locations has consistently resulted in lower unit costs for the Denver site.

Specifically, the actual contracted cost-per-foot for the concrete guideway installation at the Denver site is about 40% below the lowest 1978 quote for Pueblo, adjusted to 1983 dollars using the ENR Construction Index. This results in an estimated savings of about $750,000 to the Government, and is probably because of the relatively remote location of the DOT Test Center, with an attendant higher mobilization and logistics cost, plus--possibly--a more competitive construction environment in the greater Denver area.

3. <u>The question was asked as to how much money had been spent on AGRT and what would have to be spent to complete the Program.</u>
The UMTA response was that "$36.5 million has already been spent and another $35 to $40 million would be necessary to complete the Engineering Development System. And, in addition to that, an additional $35 to $40 million would be needed for deployability studies and working it into the marketplace.

<u>OTIS POSITION:</u>
A total of $14.57 million will be necessary to complete the development of the Otis AGRT Engineering Development System, as set forth in this Testimony, on Page 2. The Otis estimate for pre-production engineering for application to urban installations is $9.6 million.

MOTOR CARRIER LAWYERS ASSOCIATION

STATEMENT OF MARK ANDREWS, FIRM OF VERNER, LIIPFERT, BERNHARD & McPHERSON

Senator ANDREWS. Our next witness is Mr. Mark Andrews of the Motor Carrier Lawyers Association.

That is an intriguing name. We can have all kinds of fun with that.

Welcome to the committee. We will be glad to have your testimony. I can assure you it will be included in total in the record.

Mr. ANDREWS. Thank you, Mr. Chairman.

I am glad our paths have finally crossed because I have been getting phone calls from your constituents for years. That is OK because I have met some nice folks that way.

Senator ANDREWS. That is what happens when you have a listed phone number and you are in the Senate.

Mr. ANDREWS. As the statement says, my name is, and has been, Mark Andrews. I am a Washington lawyer. I have practiced transportation law in this city for 12 or 13 years. I represent a group of lawyers who are in that practice, but perhaps the statement does not make it clear that the Motor Carriers Association is not just a bunch of Washington lawyers.

Most of our members are scattered around the country in every State including your own home State, Senator. They are in close touch with what is going on in the motor carrier industry today. It is because of their concerns that we are appearing here today to talk about the budget request of the Interstate Commerce Commission for fiscal year 1984.

As my statement says, our organization is very concerned with a gap that has grown up between theory and practice at the ICC.

To some extent we must regretfully conclude that the ICC's budget request this year merely brings out into the open what has been a hidden tendency there since the Motor Carrier Act of 1980 was passed. That tendency has been to treat that act as a total deregulation bill when that is not what it was intended to be.

Now, we have the Commission coming to you this year and supporting a budget request which they concede would only be adequate to fund their activities if further deregulation were passed. Now, no such deregulation measure has yet been introduced by the administration, but apparently the ICC wants this subcommittee to bet on the coin, if you will pardon the phrase.

We do not think that is sound policy. We are concerned about the gap between theory and practice in rate regulation, in market entry regulation and in enforcement of the common carrier obligation to serve small towns as well as large towns. We feel the ICC has abdicated the responsibility that was left in its hands in 1980 in each of those areas.

The result of this nonfeasance by the ICC, we feel, has been to place carriers and their lawyers in an ethical bind. The act says one thing, the ICC's enforcement of the act goes in a different direction.

What do you tell a carrier in that situation? To some extent, I think perhaps there are even people at the ICC who feel that difficult. We talk to them and there are many good people at the ICC who I think would like to have better direction from the top with regard to enforcing the act as written. But that is not the biggest problem.

The biggest problem we see stemming from the ICC's nonfeasance is really precipitate decline in the economic strength of the trucking industry which we believe provides a vital service.

As a citizen, I don't want to share the road with underfinanced trucking firms whose earnings have been eroded, who can't maintain their equipment, because there is overcapacity, there is no rate regulation, and in addition as a citizen I respect the contributions that trucking firms make in enabling shippers all over this country to compete with each other in distant markets.

If they don't have the transportation facilities, they can't do that and overall competition in the economy as a whole could be seriously reduced.

That is the essence of our position, Senator, and, having finished, I will stop.

Senator ANDREWS. Thank you, Mr. Andrews. It is good to have you here.

Let me point out one thing to you that you may not have heard. We have had the ICC, of course, before this subcommittee.

Mr. ANDREWS. I am aware of that.

Senator ANDREWS. While I am the chairman, I only have one vote on the subcommittee, but at that time we had two or three of our colleagues on the Democrat side and one or two on the Republican side and I think each one voiced his total concern about the way this deregulation was proceeding.

You mentioned that further dereguation might be introduced by the President. Well, he can't introduce. He has to find somebody to introduce it for him.

Second, I doubt, given the feelings expressed that day in public by my colleagues, that there will be a whale of a lot of sympathy for further deregulation. In fact, I think the pendulum has swung more toward reregulation, given the antics of the various agencies in the transportation field.

So, don't lay awake nights worrying about further deregulation.

Mr. ANDREWS. That is good news, Senator. I was pleased to read just yesterday of, I think it is S. 1009, introduced by Senator Packwood and perhaps others which addressed our concern about the lack of enforcement of carrier fitness.

Senator ANDREWS. That is right.

Mr. ANDREWS. That is the sort of tendency we would like to see rather than what we are seeing out of the ICC these days.

Thank you, sir.

Senator ANDREWS. It is good to have you here.

[The statement of Mr. Andrews follows:]

STATEMENT OF MARK J. ANDREWS

I am Mark J. Andrews, a Washington lawyer with offices at 1660 L Street, N.W., Suite 1100, in the District of Columbia. As an associate and then a partner in Verner, Liipfert, Bernhard and McPherson, Chartered, I have practiced transportation law for approximately thirteen years in this city. It is my pleasure to talk with this Subcommittee about the proposed budget of the Interstate Commerce Commission ("ICC") for fiscal 1984.

The organization I represent is the Motor Carrier Lawyers Association ("MCLA"), a specialized bar association founded in 1937. Our nonprofit organization has approximately 500 active members in the United States and Canada who represent motor carriers and their customers before the ICC, other regulatory bodies and the courts. Through publications and three continuing legal education programs each year, MCLA strives to help its members discharge their professional responsibilities to clients. We monitor legislative developments and, just as importantly, we monitor the ways in which the ICC and other government bodies are administering, or failing to administer, the law.

Based on the collective experience of MCLA and its members in observing the ICC's activities during recent years, MCLA urges this Subcommittee to approve funding sufficient for a badly-needed return to effective administration of the ICC's present statutory responsibilities, rather than approving a reduced funding level predicated on further "deregulation" legislation not yet even introduced. We further submit that the ICC needs a forceful reminder from this Committee that funds appropriated to the ICC are to be used for enforcing the law as written, not as the agency might wish it were written.

The ICC's FY 1984 budget proposal is an astonishing document. The ICC supports a funding and staffing level which it candidly admits would be insufficient to discharge its statutory responsibilities under existing law! Perhaps the only virtue of

the ICC's budget request is that it openly states what has been, regrettably, the agency's unstated policy ever since passage of truck and rail regulatory reform legislation in 1980.

Simply stated, the Commission's policy has been to pretend that the 1980 legislation--and especially the Motor Carrier Act of 1980, Pub. L. 96-296 ("MCA")--were regulatory repeal measures rather than regulatory reform measures. As our group and others repeatedly have testified in oversight hearings before the authorizing committees since 1980, the MCA framers' undoubted intent to liberalize motor carrier regulation has been misread at the ICC as a license to trivialize motor carrier regulation.

This trivializing trend has sapped rate regulation, has reduced market entry regulation to what the ICC's own chairman characterizes as a "silly little game,"[1/] and has befogged beyond recognition the common carrier's obligation to serve small towns and small shippers as well as the larger markets. We do not think these results were intended by the framers of the MCA. For a bill of particulars I would respectfully refer you to the written testimony prepared by our association's late president, John S. Fessenden, for 1982 oversight hearings held by the surface transportation subcommittee of the Senate Committee on Commerce, Science and Transportation. Because the record of those hearings has not yet been officially printed, a copy of the Fessenden testimony is attached to my statement for the convenience of this Subcommittee and its staff.[2/]

Without repeating all the specifics contained in the Fessenden testimony, I would like to outline the ways in which the ICC, in our view, is departing from the law as written.

First, the law still requires carriers to file tariffs at the ICC, yet little or no effective scrutiny of those tariffs takes place. Our members report that carriers both large and small continue to engage in rampant rate cutting, with no ICC policing to enforce any semblance of a relationship between carrier rates and carrier costs. The ICC adheres to its refusal

in the "MC-166" proceeding[3] to consider establishing even minimal guidelines for discount rates, and the agency consistently has refused to involve itself in determining whether carrier rates are compensatory to owner-operators (independent truckers) who lease their rigs to those carriers.[4]

Similarly, the law still requires motor carriers to apply to the ICC for operating authority, and under the MCA protesting carriers still have an opportunity to prove that authorization of a new competing service is "inconsistent with the public convenience and necessity."[5] But it remains true today, as stated in the 1982 Fessenden testimony, that no post-MCA application has yet been denied on that ground--not one! Even as one who represents primarily applicants rather than protestants, I find it hard to believe that the framers of the MCA intended such a result.[6] Nor do I think the framers intended trivialization of the requirement that carrier applicants prove themselves "fit, willing and able" to perform the proposed transportation in compliance with applicable laws and regulations.[7] The MCA did not change that pre-existing requirement, under which the ICC consistently had required some detail as to financial fitness, operational feasibility, and the applicant's safety and vehicle-maintenance programs.[8] Yet today the agency ignores financial fitness, ignores operational feasibility, and is satisfied if the applicant provides a bare, one-sentence certification of familiarity and/or compliance with safety regulations of the Department of Transportation ("DOT").[9] MCLA is not alone in accusing the ICC of carrying entry deregulation far beyond what Congress intended; the Fifth Circuit said essentially the same thing in American Trucking Associations v. I.C.C., 659 F.2d 452 (1981) cert. den., ___ U.S. ____ 1983.[10]

The pattern is the same in connection with the common carrier obligation. The MCA did not reduce or otherwise change this obligation,[11] yet a recent ICC decision totally abdicates any responsibility to tell us what the obligation means in

today's motor carrier industry.[12] Instead, the ICC refers us to two recent judicial decisions which address the issue only in passing,[13] and strongly suggests that as far as the agency is concerned carriers can pick and choose their freight and service points purely on the basis of operational convenience, untempered by any public concerns such as avoidance of discrimination and maintenance of small-community service.

Today's gap between theory and practice at the ICC creates serious ethical problems for transportation lawyers and their clients. As MCLA's late president said to the Senate Commerce Committee (see pages 2-4 of attachment to this statement):

> In advising carrier and shipper clients, lawyers are guided by the Act and its legislative history. In many instances, the Act says one thing, while the ICC's pronouncements and apparent policies point toward a different conclusion. The client must ponder this disparity and must decide whether to follow ICC policy and thus risk violating the Act. There should be no such conflict.***Where the ICC grants at least tacit approval to an action which appears contrary to the express language of the law, and where a carrier is under strong competitive pressure to take the action, the conflict is clear. No lawyer ethically may advise the client to violate the law, yet the lawyer is faced with advising the client of the practical reality: since the ICC is the primary interpretive authority, the violation will not be so characterized by the ICC. Obviously, a rational regulatory system should not leave the attorney and his client confronted with the problem of a government agency refusing to adhere to the provisions of the statute which it has the duty to administer.

Some may suggest that if motor carrier regulation has been so trivialized, perhaps the gap between theory and practice should now be closed by repealing all such regulation. Apparently, DOT would like to do just that,[14] although such legislation has yet to be introduced by the Administration. MCLA will address any such proposals at the proper time before the proper authorizing committees. We urge this Subcommittee, however, not to assume passage of such legislation, and not to ratify the ICC's nonfeasance by appropriating sums concededly inadequate for enforcing the MCA as written. We urge these things not only as lawyers, who believe laws should be obeyed, but also as inter-

ested observers of the trucking scene, who are convinced that the ICC's nonfeasance has done enormous damage to the transportation infrastructure of this country.

Several current features of the trucking scene are, we think, beyond serious dispute.

First, the economic health of the industry has eroded alarmingly. Overcapacity abounds[15/] at a time when tonnage, revenue, profits and return on equity have sharply declined.[16/] The ICC and DOT keep saying these declines result mainly from the recession, but the beginning of the industry's downturn coincides with substantial ICC deregulation by administrative fiat in 1978,[17/] not with the beginning of the recession in 1980.[18/]

The industry's economic distress has been accompanied by clear signs of undue market concentration, especially in the general-freight trucking sector.[19/] General-freight truckers make heavy investments in terminals, specialized communications facilities, and other difficult-to-duplicate service features in order to specialize in handling relatively small shipments for a broad spectrum of large and small shippers. Of all trucking sectors, this is the closest to the classic concept of a public utility. Yet these providers of essential service for general freight have been dying by the dozens[20/] and they are not being replaced.[21/] To MCLA's knowledge only one major new general-commodity small-shipment carrier (Leaseway Express) has emerged since 1980.[22/] This increased market concentration mocks the MCA's procompetitive goals.

Moreover, the carnage among existing carriers has not been limited to the general-freight sector. MCLA made a request to the ICC under the Freedom of Information Act for a list of all motor carriers under its jurisdiction which, according to its records, have discontinued operations since July 1, 1980. MCLA is submitting for the record a summary of the ICC response, in the form of a printout listing 1,159 motor carriers of property moved to "inactive" status in the ICC's own records during the

period July, 1980 through December, 1982. The printout is organized by the carriers' states of domicile for the convenience of the Subcommittee, its members and staff. I might note that many carriers who are in fact out of business (including at least one client of mine) are not included in this list because they have kept up their insurance and other basic filings (the probable bases for the ICC's "active" and "inactive" classifications) in hopes of reviving or selling their businesses. Whatever the precise numbers involved, it seems clear that while some ~~6,000~~ 7,900 new carriers may have come into the industry since 1980 (according to the ICC[23]), many of those new entrants already have exited along with an alarming number of established general-freight firms. Surely the framers of the MCA did not intend to introduce such rampant instability into the motor-carrier portion of this country's infrastructure. Interestingly, no such failure rate among carriers is reported by our members in Canada, whose recession has been at least as severe as ours, but whose motor carriers are still subjected to meaningful economic regulation.[24]

Furthermore, the vaunted benefits of motor carrier rate discounting have by no means been distributed evenly across the landscape. According to DOT studies that purport to assess small-community service impacts of the MCA (as currently interpreted by the ICC), the great majority of small-town and rural shippers surveyed continue to report rate increases,[25] suggesting that the rampant rate discounting discussed earlier is increasing the rate disadvantages of rural vis-a-vis urban shippers. Remember, these are the same shippers being disadvantaged by the high failure rate among general-commodity carriers; attempts by DOT to show that such carriers are <u>not</u> vital to small towns are seriously flawed.[26] While the decline of small-community truck service does not appear to be as far advanced as the decline of small-community air service[27]--perhaps because truckers are currently willing to handle small-

community freight which they would disdain when an economic recovery opens other options[28]/--the same trends are evident in both modes.

There is one major difference, however, between the situation in aviation and in trucking. In trucking, unlike aviation, adequate regulatory powers and structures remain in place to correct the trends described above, if only the ICC were compelled to use them meaningfully and reasonably. We do not suggest a return to the regulatory excesses, including the artificial barriers between various trucking sectors and the marathon oral hearings on minor route applications, which Congress clearly did intend to correct in 1980. We do suggest that a truly free market for trucking services must also be an orderly market, and that the modest entry controls, rate controls, fitness requirements and service obligations retained in the MCA provide a more democratic and less wasteful mechanism for re-establishing orderly markets than mass bankruptcies--or the gas-station lines and the assignment of landing rights by lot used in other recent periods when limitations on transport overcapacity were needed.

Still, some may ask--in an era of strict budgetary constraints--why the government should spend any money protecting the truckers from themselves. In a similar vein, we are often asked: "What is so special about the trucking business that it should be protected by any economic regulation at all?" My answer is this: The ultimate object is not to protect the truckers, but to protect all the people who depend on trucks and share the roads with them. To an unparallelled degree, trucking firms serve the public in public. When my family and I go to the grocery store or the toy store or the department store, we save money when the store has stable, predictable, dependable transport services giving it access to a variety of competitive suppliers nationwide. At the same time, we would like to have some assurance that the motor carriers whose vehicles we

encounter on the road to the store can afford to maintain their tires and brakes, train their employees, and pay their drivers enough so they won't be tempted to cut corners. It is surprising that people alarmed by the prospect of slightly longer, heavier and wider trucks (pursuant to the Surface Transportation Assistance Act of 1982) are not here expressing similar concerns for preserving orderly market conditions in the trucking industry.

Granted, trucking--or at least most of its sectors--cannot be said to fit the classic mold of a public utility. Trucking is not a natural monopoly and, in most sectors, has few inherent barriers to entry (though tendencies toward undue concentration do exist). Trucking regulation, however, originated precisely because excessive ease of entry led to disorderly markets.[29/] The framers of trucking regulation recognized, I think, that the last ounce of "competition" in a totally unregulated trucking industry could be purchased only at the expense of less competition in the rest of the economy, as unstable and unreliable transportation kept shippers from competing in distant markets. In an era when we are trying to make the United States economy more competitive in world trade, let us not forget that the sheer size and scale of our continental economy is one of our basic, inherent advantages. A weakened trucking industry weakens the sinews of that continental economy. MCLA thinks that reasonable economic regulation of trucking, in accordance with the intent of the MCA, has a role to play in preventing further hemorrhaging of this vital industry.

Evidently the ICC's "game plan" under its present funding has been to divest itself, by administrative fiat, of the vital areas of regulatory responsibility Congress retained in the MCA as outlined above. As remedies for the ICC's nonfeasance, we urge two things. First, the agency must be denied the excuse of "insufficient funding" for its failure to enforce the law as written. An amount sufficient to discharge the agency's current

responsibilities under the MCA must be appropriated. But a second remedial measure is just as important. When appropriating sufficient funds for enforcement of the law as written, this Subcommittee must insist that such enforcement take place. In particular, the Subcommittee should insist on three fundamentals:

(1) There must be a clearly stated ratemaking standard which prohibits rates unrelated to carrier costs and defines what constitutes an unlawfully predatory or discriminatory rate.

(2) There must be a meaningful entry standard that treats the "public need" and "convenience and necessity" issues in cases where they apply, and treats the "fitness" issue in every case, as the serious matters Congress intended rather than as exercises in hoop-jumping.

(3) There must be an effective common-carrier obligation under which considerations of carrier convenience are tempered by the public interest in such matters as preventing discrimination and fostering small-community service.

NOTES

1/ Remarks of Chairman Taylor at a press conference on October 8, 1981, reported at p. 10 of Traffic World issue of October 12, 1981.

2/ As initially prepared, the Fessenden testimony included an attachment listing certain carriers which had gone into bankruptcy, curtailed service or terminated operations since July 1, 1980. That listing is not reproduced here because much more extensive data of that type has now been obtained directly from the ICC, as discussed later in this statement.

3/ Ex Parte No. MC-166, Petition for Declaratory Order--Lawfulness of Volume Discount Rates by Motor Common Carriers of Property, 47 Fed. Reg. 49481 (November 1, 1982).

4/ Dockets 38724 et al., International Brotherhood of Teamsters et al., Petition for Rulemaking--Determination of Owner-Operator Costs, served April 15, 1983 (entire Commission).

5/ 49 U.S.C. 10922(b)(1).

6/ Congress envisioned the MCA as occupying "a middle ground between continuing the status quo on the one hand, and total deregulation on the other hand." S. Rep. No. 641, 96th Cong. 2d Sess. 1-2 (1980).

7/ 49 U.S.C. 10922(b)(1)(A).

8/ See, e.g., Ex Parte No. 55 (Sub-No. 25), Revision of Application Procedures, 42 Fed. Reg. 62186 (December 13, 1977).

9/ 49 C.F.R. 1160.6 (1983 ed.).

10/ The cited decision dealt only with ICC standards for "restriction removal" under 49 U.S.C. 10922(i)(1)(B) (1983 ed.) and with an ICC "policy statement" calling on carriers to apply for certain broad categories of authority whether they wanted

such broad authority or not. The Fifth Circuit decision does not eliminate the need for remedial action in the broader areas discussed in this statement.

11/ See attached Fessenden testimony, p. 6, and legislative history there cited.

12/ Ex Parte No. MC-77 (Sub-No. 3), Elimination of Certificates as the Measure of "Holding Out," decision served March 15, 1983.

13/ Steere Tank Lines, Inc. v. I.C.C., 675 F.2d 103 (5th Cir. 1982); J. H. Rose Truck Lines, Inc. v. I.C.C., 683 F.2d 943 (9th Cir. 1982). The principal issue in both of these cases was whether certain applicants had presented sufficient evidence of "fitness, willingness and ability" by demonstrating past operations under restricted authority which they were attempting to broaden in the cases reviewed by the Court.

14/ MCLA understands such a bill currently is being circulated within ICC and DOT for staff comment, and DOT officials have publicly favored such a measure (see, e.g. remarks of Edward A. Rastatter, chief, regulatory policy division, DOT before spring meeting of National Small Shipments Traffic Conference, reported at p. 20 of Traffic World issue of April 18, 1983.

15/ See, e.g., House Doc. 97-87, Oversight--Motor Carrier Act of 1980, pp. 82-83 (testimony of Bennett C. Whitlock, Jr. for American Trucking Associations, Inc. before the surface transportation subcommittee of the House Committee on Transportation and Public Works). To our knowledge, no one disputes that substantial overcapacity exists in the trucking industry today.

16/ See, generally, statement of Irwin H. Silberman, before the surface transportation subcommittee of the Senate Committee on Commerce, Science and Transportation dated December 14, 1982 (hereafter, "Silberman testimony"). To our knowledge the analysis by Mr. Silberman, a private economic and financial consultant, has not been seriously challenged.

17/ Silberman testimony, pp. 5-12, 19-24. For the ICC's own description of administrative deregulation in the late seventies, see Ex Parte No. MC-121, Policy Statement on Motor Carrier Regulation, 44 Fed. Reg. 60296, 60297-99 (October 19, 1979).

18/ The current economic recession is generally understood to have begun in 1980. See, e.g., industrial production data from Federal Reserve Board Bulletins cited at p. 86 of House Doc. 97-87, supra (testimony of Bennett C. Whitlock, Jr.).

19/ It is estimated that the market share of the ten largest motor carriers increased from 34.7 percent in 1976 to 42.0 percent in 1982 (Silberman testimony, p. 26), and that these carriers' share of the industry's after-tax ordinary income increased from 46.1 percent in 1976 to 83.6 percent in 1981 (id., pp. 20, 22).

20/ At least 63 general-freight motor carriers included in the Silberman testimony's data base went out of business between January 1, 1979 and November, 1982. They had represented an estimated 14.10 percent of general-freight industry revenues in 1978. Silberman testimony, p. 27.

21/ See, generally, attached Fessenden testimony at p. 14.

22/ Even DOT admits that "the new entries into the motor carrier industry following the passage of the MCA were mainly into the sector of the industry specializing in transportation of

[truckload] shipments" rather than the less-than-truckload freight typically handled by the general-freight trucker. See Effects of Regulatory Reform on Motor Carrier Failures: A Preliminary Assessment (July, 1982), at p. 3.

23/ House Doc. 97-87, supra, at p. 333 (testimony of Chairman Taylor).

24/ See, e.g., Comments of Ontario Section, Canadian Highway Transport Lawyers' Association, on Interim Report of Ontario Public Commercial Vehicles Act Review Committee (December, 1982), p. 10.

25/ A DOT paper, entitled "Follow-up Study of Shipper/Receiver Mode Choice in Selected Rural Communities, 1980-1981," issued in September, 1982, contains the following at p. 14 (emphasis supplied):

> Of [a] total sample [of small-town shippers] only 20.6 percent reported no change in rates and a mere 5 percent reported a reduction in freight rates. This finding is in contrast with national returns which indicate that on balance the post-Motor Carrier Act period has seen rate reductions.

26/ DOT attempted to prove that general-freight truck service is relatively unimportant to small communities in a study entitled "A One-Year Assessment of the Motor Carrier Act of 1980: Small Community Trucking Service in Nevada and Oregon," issued November 30, 1981. This paper studied the service needs of certain desert communities having virtually no industry. Even in these communities, however, "reported" and "primary" usage of general-freight truckers ranked ahead of every other mode except private trucking and small package carriers (id., pp. 19, 39). Moreover, the DOT's "Follow-Up Study," supra, n.25, recognizes (at p. 54) that small communities having a greater degree of industrialization will have greater dependence on regulated carriers of less-than-truckload freight.

27/ See, generally, "Stop the Air War--We Want To Get Off" (Senator Mark Andrews, R-N.D., Washington Post, April 16, 1982).

28/ Even DOT admits this possibility at p. 27 of its "Follow-Up Study," supra, n.25.

29/ See discussion by Supreme Court in American Trucking Associations, Inc. v. United States, 344 U.S. 298, 312 (1953).

STATEMENT OF JOHN S. FESSENDEN, PRESIDENT, MOTOR CARRIERS LAWYERS ASSOCIATION

The Motor Carrier Lawyers Association (MCLA) welcomes this opportunity to address the Senate Commerce Committee in its continuing oversight of the Motor Carrier Act of 1980. At the time of last year's oversight hearing, we submitted written testimony in which we cited severe shortcomings in the ICC's administration of the new Act. We regret to say that the situation at the ICC has not improved in the year that has passed.

Our Association is made up of several hundred lawyers who practice before the Interstate Commerce Commission, other government agencies, and state and federal courts, representing motor carriers, as well as shippers and receivers of freight. The nature of our practice makes it mandatory for us to keep up to date on legislative developments and, just as importantly, on the way in which the ICC is administering, or failing to administer, the law. Our clients must be advised how best to proceed in these difficult times of recession and deregulation.

The point we wish to make to this Committee is that in several critical areas the ICC has gone far beyond the Congressional mandate of the Motor Carrier Act of 1980 and has opted for virtually total deregulation, an option Congress considered and rejected when it passed the Act. We urge the Committee to remind the ICC that, although the purpose of the Act is to ease entry and to place greater emphasis on competition, it is not intended as a signal to the ICC to surrender its regulatory responsibilities in reliance upon economic theories the ICC styles as "marketplace forces."

The need for the ICC to restrain further deregulatory efforts and to function in strict compliance with the law and with the intent of Congress is particularly important now when the economic picture in the trucking industry is so bleak. Every day, motor carriers are closing their doors or severely curtailing service. In particular, many carriers have been forced to abandon their transportation of smaller shipments--less-than-truckload freight--an action which penalizes small shippers and forces trucking employees out of work. A list of some motor carriers which have entered bankruptcy or have abandoned or sharply curtailed service since passage of the 1980 Act will, we understand, be attached to the prepared Statement of Bennett Whitlock, President of the American Trucking Associations. A list of additional motor carriers that, as of the date of the compilation of the corresponding ATA list, June 23, 1982, fall

within one of these categories is attached to this statement. At this critical juncture the ICC should be administering the Act in a manner which fulfills the requirements of the national transportation policy, including "the development, coordination, and preservation of a transportation system that meets the transportation needs of the United States. . ." The ICC's reliance on competition alone and for its own sake is an abandonment of its responsibility under the Act.

In advising carrier and shipper clients, lawyers are guided by the Act and its legislative history. In many instances, the Act says one thing, while the ICC's pronouncements and apparent policies point toward a different conclusion. The client must ponder this disparity and must decide whether to follow ICC policy and thus risk violating the Act. There should be no such conflict. The ICC should stick to the law as it was written and leave policy making to Congress. Our sentiments were expressed succinctly by Chairman Taylor of the ICC in a position paper he issued in August, 1981:

> . . . the Commission has strayed from the Congressional intent of the Motor Carrier Act of 1980. In its effort to implement quickly the provisions of the new legislation, the Commission embarked on a course which would ultimately lead to total deregulation contrary to the express prohibition of Congress.1/

The conflict between the Act and the ICC's interpretation of it is both real and serious. It presents to attorneys attempting to give clients sound legal and practical advice an impossible dilemma and places clients in a worse situation, if that is possible. Where the ICC grants at least tacit approval to an action which appears contrary to the express language of the law, and where a carrier is under strong competitive pressure to take the action, the conflict is clear. No lawyer ethically may advise the client to violate the law, yet the lawyer is faced with advising the client of the practical reality: since the ICC

1/ Position Paper of Chairman Reese H. Taylor, Jr., Regarding Implementation of the Motor Carrier Act of 1980, at 10.

is the primary interpretive authority, the violation will not be so characterized by the ICC. Obviously, a rational regulatory system should not leave the attorney and his client confronted with the problem of a government agency refusing to adhere to the provisions of the statute which it has the duty to administer.

Our written testimony before this Committee a year ago describes the ICC's sweeping efforts to effect unlimited entry into the motor carrier field and its refusal to consider whether potential entrants were fit to serve the public and threatened the stability of the motor carrier industry. Today we must report that things are no better. We would like to focus on three areas in which the ICC has failed to adhere to Congressional policy--areas we believe require this Committee's attention.

The first area concerns the duty of a motor common carrier to serve on a common basis all members of the public it is authorized to serve, a duty that is not fulfilled if a common carrier--with the ICC's blessing--may pick and choose among shippers and receivers. The testimony of the ATA and the Teamsters before this Committee will touch upon this critical area. Significantly, the testimony of the ICC and other federal agencies will, we believe, avoid it.

The second area concerns the requirement that a motor common carrier be fit, willing, and able to provide the service it proposes. Today, the ICC makes no meaningful effort to determine if the carriers to which it so liberally grants broad, unrestricted authority will act toward the shipping public in a responsible manner.

The third area concerns the ICC's failure to regulate rates in a manner which will restrain unreasonable and discriminatory, as well as predatory, pricing.

I

The Common-Carrier Duty to Serve

Under common law, a common carrier is obliged to serve without discrimination all shippers (or passengers) within the area of its holding out. The common law remains in effect. It was not repealed or replaced by the Motor Carrier Act of 1935 or the Motor Carrier Act of 1980. Since passage of the 1935 Act, the ICC and the courts have measured a common carrier's holding out--its common law duty to serve the public--by the certificates of public convenience and necessity which are the statement of the carrier's lawful authority. In 1970, the ICC affirmed that measure and found that an interstate motor common carrier could not reduce its holding out through restrictive tariffs.2/

It is essential to recognize that the 1980 Act did nothing to alter the equation between a motor common carrier's certificates and its duty to serve the public with an even hand. Section 11101(a) of 49 U.S.C. states:

> A common carrier providing transportation or service subject to the jurisdiction of the Interstate Commerce Commission under Chapter 105 of this Title shall provide the transportation or service on reasonable request. In addition, a motor carrier shall provide safe and adequate service, equipment, and facilities.

Section 10922 requires that the grant of a certificate be based on both evidence of the applicant's fitness, willingness, and ability to perform the proposed service and "evidence presented by persons supporting the issuance of the certificate, that the service proposed will serve a useful public purpose, responsive to a public demand or need."

Any doubt that the 1980 Act retained the common carrier's duty to serve fully and fairly all shippers within its certificated authority was laid to rest by Congressman Shuster of Pennsylvania, a member of the House Committee on Public Works and

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2/ Restrictions on Service by Motor Common Carriers, 111 M.C.C. 151 (1970).

Transportation, when he spoke to the House about the new legislation as floor leader of that bill:

> We were very mindful of this problem and for that reason this bill does not go the whole way with regard to deregulation. This bill does provide, and this is an extremely important point, this bill continued to provide for the common carrier obligation. If a common carrier today has a certificate requiring him to provide service to a particular area, be it rural or urban, he has the obligation under this legislation and that obligation continues. That is an important aspect of the legislation before us.
>
> (126 Cong. Rec. 5351 (1980))

Despite this explicit directive, the ICC, in January 1981, warned that it was ready to accept limitations on a common carrier's certificate as the measure of the service it was required to provide. In a notice of a rulemaking proceeding,3/ the ICC proposes to allow carriers to limit their duty through advertising and tariff publication. The ICC argues that the new Act forces it to issue certificates which are broader in scope than the applicant's "immediately proposed operations." Thus, according to the ICC's reasoning, if the carrier were obliged to provide service throughout its certificated area, it faced potential violations of its common carrier duty for failure to do so. The ICC referred to this alleged conflict between the scope of a carrier's certificate and the scope of its holding out as a "Catch 22 of unusual proportions." Rather than conform the certificate to the public need demonstrated by the carrier applicant, the ICC proposes a solution in direct contravention of the law:

> It remains then only to disconnect the issue of holding out from the issuance of certificate authority, which requires foremost the designation of an acceptable substitute for the certificate.4/

In his August 1981 position paper, at page 9, Chairman Taylor summarized his attitude toward the common-carrier duty to serve. He stated:

3/ Ex Parte No. MC-77 (Sub-No. 3), Elimination of Certificates as the Measure of Holding Out, 46 Fed. Reg. 8604.

4/ Supra, note 3.

> In oversight hearings held by Congress during June of 1981, the Commission was roundly chastized for its practice of giving motor carriers much greater authority than they had sought. Congress made clear that while it did not want the Commission arbitrarily to restrict grants of authority, it certainly did not want the Commission unilaterally to grant substantially more authority than requested by an applicant or warranted by his supporting evidence. As previously pointed out, Congress made it abundantly clear the common carrier obligation was not to be eliminated or diluted.5/

Chairman Taylor went on to cite examples of ICC authority grants which were broader than the authority requested by the carrier. He then stated, still at page 9:

> These decisions have certainly made it difficult for the Commission to enforce the common carrier obligation--an important cornerstone of the Commission's responsibility to protect the public interest.

MCLA was heartened by those remarks of Chairman Taylor. Unfortunately, he appears to have shifted his position. In a letter of June 24, 1982, Congressman Shuster posed to Chairman Taylor as a followup to his oversight testimony in the House seven questions dealing with the Motor Carrier Act of 1980. The first question was:

> (1) Congress made it clear in enacting the Motor Carrier Act that the common carrier service obligation was to be observed and enforced. What enforcement program is the Commission progressing to assure that motor carriers are meeting their service obligations to the full extent of their authority?

Chairman Taylor's answer was contained in his letter of August 4, 1982, to Congressman Shuster. In essence, Chairman Taylor argues that the ICC need do nothing to enforce the common carrier duty because service levels are satisfactorily high. He refers to the still-pending rulemaking proceeding and now endorses the ICC's position. We do not know what has caused Chairman Taylor to retreat from his unequivocal support of the common-carrier duty. His answer to Congressman Shuster strongly suggests that when the ICC issues its decision in the rulemaking proceeding it will curtail the common-carrier duty.

Even today, the ICC impedes that duty by issuing grants of

5/ Id.

authority broader than the authority sought by the applicant. This procedure virtually assures that it will be impossible for the applicant to serve, adequately and without prejudice or discrimination, shippers located within the scope of the certificate but beyond the applicant's operating proposal. Congressman Shuster addressed this problem specifically in his second question:

> (2) The Motor Carrier Act requires an applicant to demonstrate that it is fit, willing and able to provide a proposed service. Can you tell me why the Commission persists in requiring carriers to accept certificates substantially broader in scope than the authority they request?
>
> Once the Commission has granted authority to a carrier broader in dimension than demonstrable need for service or a carrier's fitness, do you require that carrier to provide responsive service to the full extent of the authority?

Chairman Taylor's answer begins by assuring Congressman Shuster that the ICC no longer grants authority broader than that sought by the applicant. However, this is not the case, and there are, almost every day, examples of this practice, which other Commissioners readily concede.6/ Chairman Taylor goes on to admit that it is impossible to require a carrier to serve the full scope of its certificate, if the carrier "was compelled to accept authority broader than requested. . ." Thus, we have a problem of the ICC's own creation, coupled with a refusal to deal with that problem.

6/ Commissioner Heather Gradison publicly condemned this common practice in speeches before ATA conferences on October 18 and 19, 1982. First confirming Commission commitment to freer entry, she then noted that, "however, in some cases, the Commission has granted an applicant more authority than it requested." "I disagree with this," she said. She registered her official opposition to the practice in her dissenting opinion issued this month in Docket No. MC-158286 (Sub-No. 8), M. T. Truck Line, Inc.--Substituted Motor-For-Rail Service, one of many recent cases in which the Commission has elected to grant authority broader than that requested. In one case, Docket No. MC-159474, U.S. Express, Inc., the Commission, on June 24, 1982, unilaterally expanded applicant's request to serve the facilities of one shipper, Ralston Purina, to a nationwide unrestricted grant of general commodity authority to serve the public generally on a non-radial basis.

The answer is straight-forward. This Committee should demand that the ICC grant certificates which are strictly commensurate with the demonstrated public need and that thereafter the ICC strictly enforce the carrier's duty to serve fairly and without discrimination all shippers within the range of that certificate.

Any limitation by the ICC of the common-carrier obligation to serve would violate the Motor Carrier Act of 1980. Chairman Taylor's answer to Congressman Shuster is unsatisfactory. MCLA urges that there should be no dimunition of that obligation --through rulemaking or otherwise.

The pendency of the rulemaking proceeding has not influenced the astonishing rate at which the ICC grants authority. Virtually 100 percent of the applications for motor carrier authority filed with the ICC are approved in whole or in substantial part.7/ Since a large number of these authorities are very broad, the applicants are likely to assume they are free to serve only such portions of them as they choose to serve.

At part of MCLA's 1981 oversight hearings, we stated, quoting Commission sources, that of the more than 7,000 applications which became administratively final during the period July 1, 1980 through March 31, 1981, not one was denied in whole or in part because an opposing carrier had demonstrated a grant would result in harm to existing carriers contrary to the public interest. Despite the fact that thousands of additional applications have been processed by the Commission since March of 1981, the statement is still true. MCLA does not believe Congress

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7/ Associate Director Richard Lewis of the ICC's Office of Proceedings placed the ICC's entry policy in perspective during a speech to a meeting of the Association of ICC Practitioners on September 14, 1982:

> Today you have a more difficult time getting a driver's license than an ICC certificate. There has been a lot of talk about what our grant rate is, but I think it is really 100%. It seems to me that the only people not getting their rights forgot to sign their name on the form or didn't include their check.

intended the Commission to adopt an entry policy which in reality gives protestants no chance to prove their case. An unequivocal statement by this Committee is needed: the ICC must be instructed to follow sections 11101(a) and 10922 of 49 U.S.C. as plainly written and require both reasonable and nondiscriminatory service throughout the scope of a common carrier's existing authority and a showing of fitness and public need for any new authority granted.

The ICC's current policy to ignore the common carrier duty to serve inevitably results in loss of services to small communities. If carriers are free to pick and choose the freight they are willing to handle and the towns they are willing to serve, the small shippers and out-of-the-way towns will either lose service or pay an exorbitant premium for any service offered. It is anticipated that witnesses for the Teamsters Union will provide a long list of Colorado towns that have been left without any general freight service. The ICC's so-called "study" of small community service suffers from the statistical insignificance of its sample size and from the failure to contact shippers who had been relying on one or more of the dozen or so major LTL general commodity carriers to have shut down those operations since July 1980. That consumer complaints about motor carrier service were allegedly down in 1981 should be of no surprise. The ICC terminated its consumer "hot line" in 1981 and does little or nothing about those complaints that are received.

The courts have already recognized in several instances that the ICC's grants of authority are too liberal. But a case-by-case review in the courts of hundreds of misdirected ICC decisions is a poor substitute--expensive, time-consuming, and impractical--for the ICC doing its job in the first instance. This Committee should see that the common carrier duty is recognized and not diminished by the new Act and that the Act is followed as written, not as the Commission might wish it to be.

II

Fit, Willing, and Able

The Motor Carrier Act of 1980 modified section 10922 of 49 U.S.C. so that it now requires the ICC to find that an applicant for motor common carrier authority is "fit, willing, and able -- (A) to provide the transportation to be authorized by the certificate; and (B) to comply with this subtitle and regulations of the Commission." Today, the ICC requires no showing of willingness and only a pro forma indication of ability.

In the area of fitness, the situation is even more serious. Fitness measures the carrier's responsibility toward the public it serves. A finding of fitness should reflect the carrier's demonstrated capacity to operate in a manner which does not jeopardize the public--financially, from a safety standpoint, or otherwise. The present law requires no less.

Nonetheless, the ICC has issued a series of decisions[8/] which eliminate financial fitness as a requirement, thus abandoning a critical element of fitness which the courts and the ICC have demanded since passage of the Motor Carrier Act of 1935.

All the ICC requires of an applicant for new or expanded authority to prove fitness is an absence of safety violations and no showing the applicant is likely to engage in persistent and flagrant violations of the law and the ICC's regulations. In lieu of a showing of financial fitness, the ICC adheres to the dubious economic theory that competition will prove an adequate substitute, because there will be other carriers eager to fill in for a carrier which fails financially.[9/] This is small comfort to a shipper whose freight was in the carrier's hands at the time of failure, or which has valid claims for loss or damage pending against the failed carrier.

8/ See, e.g., No. MC-135070 (Sub-No. 182), Jay Lines, Inc., Extension--General Commodities, Nationwide (September 28, 1981).

9/ No. MC-152180 (Sub-No. 2), Container Express, Inc., Extension--Southern United States (September 22, 1981).

The ICC's view of the reality of the marketplace as a panacea for all disruptive effects of its blind deregulatory policy is erroneous. It cannot be assumed another carrier is or will be fit, willing, and able to take the place of a carrier that fails because of inadequate finances or for any other reason. A carrier and the shippers and consignees it serves over the years build up a relationship. It is destroyed when the carrier goes out of business. It is often expensive and difficult for shippers and consignees to find a replacement. With general freight carriers it may be impossible. What new carriers have come in to replace Spector-Red Ball, TIME-DC, Johnson Motor Lines, and Wilson Freight? The ICC's attitude ignores the important carrier-shipper relationship and thus ignores a basic need of the shipping public: consistent, dependable motor carrier service.

The ICC also ignores the impact on the carrier employees, who lose their jobs when carriers fail. What will "the marketplace" do for these people? Rather than foisting financially unfit carriers on the public--a public which rightfully should be able to assume the carrier's certificate indicates a fitness to serve--the ICC should assure itself of the carrier's financial ability before it finds the carrier fit, willing, and able to provide the proposed service.

The ICC's determination to do away with financial fitness and operational feasibility finds no support in the new Act. In the frequently mentioned 1981 ATA case,[10/] the Fifth Circuit noted the statement of the House of Representatives that broad policy determinations respecting entry standards "should be made by Congress and should not be left to the discretion of the Commission."[11/] The Court pointed out that the new Act eases entry standards, but then stated, unequivocally:

10/ American Trucking Ass'ns v. ICC, 659 F.2d 452 (5th Cir. 1981).

11/ H.R. Rep. No. 1069, 96th Cong., 2d Sess. 13 (1980), quoted at 659 F.2d, at 469.

> The statute retains, however, the "traditional test" that a certificate shall be issued "if the Commission finds--that the person is fit, willing, and able to provide the transportation to be authorized by the certificate. The retention of this standard, tested by forty-five years of interpretation, was deliberate. Entry was eased by revising only the "public convenience and necessity" requirement to reduce the burden of proof on persons supporting the application.

The ICC has chosen to obey the Fifth Circuit only in connection with finding a carrier applicant fit to transport household goods and bulk commodities as a prerequisite to granting such authorities. It continues to disregard financial fitness in all cases and operational feasibility in all other areas of motor carrier transportation. The ICC needs another pointed reminder: Congress should reiterate that the Act means what it says. Aggrieved parties before the ICC can ask the courts, in case after case, to reestablish these elements, but where the ICC's error is so patent and so pervasive, adherence to the statute and the intention of Congress is a far better solution. The ICC chooses to construe court decisions--including that in the ATA case--as narrowly as possible and to avoid, wherever possible, allowing those decisions to interfere with its predetermined course of rewriting the Act to suit itself.

One of Congressman Shuster's post-oversight hearing questions to Chairman Taylor dealt with financial fitness:

> (7) How can you justify failing to require every applicant for operating authority to demonstrate its financial fitness, especially in difficult economic times such as these? Don't you think that financial data is now critical for the Commission to obtain?

Chairman Taylor has answered that he is concerned about granting authority to carriers known to be financially unfit. On the other hand, he wonders if there is an effective procedure for flagging any but a handful of truly unfit applicants and concludes that it may be best to leave it to protesting carriers to raise the question of fitness. Chairman Taylor's reasoning is faulty. First, the ICC can detect financially unfit carriers if it requires financial data. It is not burdensome to determine if an applicant has the financial resources to implement its

proposed operation and to meet its obligations to the shipping public. It should not be forgotten that today the ICC requires no financial information and thus has totally abandoned its responsibility, and also deprived protesting carriers of vital evidence necessary to challenge fitness even if it were to entertain such challenges. Second, Chairman Taylor's statement that present ICC procedure leaves it up to protesting carriers to protest fitness is patently incorrect. The ICC will not entertain the issue of financial fitness, no matter by whom it is raised. Even if it were left up to protestants, the safeguard would be worthless, since almost all applications are unopposed.

We urge the Committee to act. The ICC should be required to test an applicant's fitness, willingness, and ability. There is no excuse for the ICC's shortcomings in this area.

III

Unreasonable, Discriminatory, and Predatory Pricing

The ICC ignores the impact of unreasonable, predatory, and discriminatory pricing of motor common carrier services, a trend highlighted in the testimony of the ATA and the Teamsters. The ICC has abandoned its responsibilities in this area, again in favor of what it perceives as market forces.

Under the dual pressures of the recession and the excessive competition fostered by the ICC's implementation of the Motor Carrier Act of 1980, motor common carriers are engaging in a series of new pricing techniques. These include volume discounts, multiple shipment discounts, shipper allowances, and aggregate-tender discounts. MCLA squarely supports creative pricing as consistent with a competitive system. But such pricing must not be allowed to violate the minimum standards of lawfulness provided in the 1980 Act nor to threaten the financial stability of the motor carrier industry.

Section 10101(a) of the 1980 Act includes as part of the transportation policy of the United States the establishment and

maintenance of "reasonable rates for transportation without unreasonable discrimination or unfair or destructive competitive practices." Subsection 10708(d) establishes a zone of rate freedom in which rates are not subject to suspension, investigation, or revision on the grounds of reasonableness. However, the subsection provides:

> Nothing in this subsection shall limit the Commission's authority to suspend and investigate proposed rates on the basis that such rates may violate the provisions of section 10741 of this title or constitute predatory practices in contravention of the transportation policy set forth in section 10101(a) of this title.

Section 10741, in turn, prohibits discrimination in the pricing of motor carrier services.

The ICC has responded to the flood of price innovations by an "anything goes" policy. It resists laying down guidelines to assist carriers in conforming their pricing practices to the requirements of the 1980 Act. Recently, the ICC denied a petition by a group of motor carriers seeking from the ICC a declaratory order which would set standards to govern freight rate discounts given for volume and aggregate tenders.[12/] The petitioners argues that current discount programs violated the standards governing reasonableness, predation, and discrimination.

The ICC refused to provide the requested guidelines on the grounds that a rulemaking proceeding could stifle legitimate competitive pricing and went on to reject the contention that prices not related to cost savings were predatory. The ICC found little likelihood that in today's marketplace carriers would, or could, engage in such pricing:

12/ Ex Parte No. MC-166, Petition for Declaratory Order --Lawfulness of Volume Discount Rates by Motor Common Carriers of Property, 365 I.C.C. 711 (1982). However, in a later decision in the same proceeding, a bare majority of the ICC has called for "comments" on the pricing practices of motor carriers of property. 47 F.R. 49481-2 (1982). Its very failure to indicate an intention to issue standards or guidelines prompted sharp dissenting opinions from several Commissioners.

> For such a strategy to succeed, sufficient entry barriers must be present to prevent competitors from reentering the market once the predator attempts to raise its price to monopolistic levels. However, as regulatory barriers are reduced, predation by motor carriers becomes uneconomic, since entry costs are so low that a predator could nevert enjoy its monopoly price.
>
> 365 I.C.C., at 714.

We are confident that this philosophy is not what Congress had in mind when it passed the 1980 Act. What the ICC posits is the continual rise and fall of carrier entities as each struggles to claim a share of the market sufficient to allow it to continue operations. This proposition assumes the economic cost of entry will not prevent replacement--an assumption which is not totally valid. The declining volume of freight caused by unfettered competition and the recession virtually assure that carriers will price their services below cost simply to maintain a share of the traffic without regard to future profitability. This survival of the fittest, the big will outlast the small, means shippers in less-favored locations will be bypassed. Yet the ICC is able to say:

> As new carriers or revitalized incumbents become more efficient, there will be some losers, but the redistribution of market shares is often a necessary component of competition.
>
> 365 I.C.C., at 715.

"Some losers" are the victims of wasteful pricing schemes prompted by lack of ICC oversight and excessive competition.

While the Commission obviously referred only to carriers, the term "losers" also clearly includes carrier employees and members of the shipping public, possibly the public in general. The level of demand for service and the type of service required have a great deal to do with whether the termination of an existing service will be replaced by a new entrant. Wherever such service is not replaced, individual members of the public, including possibly whole communities, will be among the "losers." Further, if the process condoned and prompted by the Commission leads to the high degree of concentration in motor carrier

transportation which most economists seem to expect, the public in general must be considered a "loser."

The danger of rampant rate-cutting was cited by Congressman Shuster in his question to Chairman Taylor. He stated:

> (5) Our transportation policy specifically condemns discrimination and destructive competitive practices. With reports of broadscale ratecutting rampant in the industry, will the Commission hold public hearings to determine whether destructive predatory practices are at work? Frankly, some of the information I have seen supports this contention and I think such public forum would be beneficial.

Chairman Taylor answers candidly that in the petition case (supra, note 8) he voted to consider the issue of discount rates, but that he was in the minority. This Committee should support Chairman Taylor and insist not only that the issue be heard, but that guidelines and standards be established. The financial condition of the industry as a whole requires immediate attention, a specific responsibility of the ICC under the Act.

CONCLUSION

In this statement we have looked at three areas--the common-carrier obligation, the fitness, willingness, and ability of carrier applicants, and pricing--in which we contend the ICC has not properly carried out either the letter or the intent of the Motor Carrier Act of 1980. This oversight hearing provides a forum to address and redress these problems. As motor-carrier lawyers we would be remiss in not bringing these matters to the Committee's attention. We are confident that the Committee will take the steps necessary to correct the situation.

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

STATEMENT OF MAJ. GEN. J. MILNOR ROBERTS, AUS [RETIRED], EXECUTIVE DIRECTOR

Senator ANDREWS. Our next witness is Maj. Gen. J. Milnor Roberts of the Reserve Officers Association of the United States.

General Roberts, we are glad to have you here.

General ROBERTS. Good morning, Mr. Chairman.

It is a pleasure to be with this subcommittee again in the interest of the U.S. Coast Guard and its Reserve.

I would ask that my complete statement be submitted for the record.

Senator ANDREWS. Your complete statement will be in the record, General Roberts as though it had been given in its entirety.

General ROBERTS. Summarizing, I would like to comment first that even though the administration has given the Coast Guard a little better treatment this year than in the past 2, a 3-percent increase will probably be below the inflation rate, although we hope the inflation will be kept at a minimum; nevertheless, we think there should be some modest increases in the budget for the Coast Guard and its Reserve. We are concerned about the military readiness of the Coast Guard.

The Coast Guard is a military force despite the fact it is in the Department of Transportation and recent studies have shown that they have about 38 percent of the training time that really they should have for military readiness.

The administration has reduced the Commandant's request for that by $3 million. It seems to me that some should be restored.

Of more consequence perhaps is the request of the administration for $23 million for their 378-foot cutter program. The Commandant requested $111 million. We as an organization believe that $70 million is a minimum in view of the tremendous demands on the Coast Guard for drug interdiction, illegal aliens in addition to all the rest of their problems, the fishing limit, et cetera, and the fact that their fleet is quite old on the average, much more so than the Navy.

We think you should give some attention to that one and particularly the $70 million figure.

We have outlined on page 6 of our statement the overall numbers requested by the administration and the Commandant and what we believe is essential. We think perhaps that should be a guide.

Of particular concern to us, of course, is the status of the Coast Guard Reserve. Unlike the Reserve forces, including the National Guard, of all the other services, the Coast Guard Reserve gets stepchild treatment. The military components of the Department of Defense on the Reserve side are receiving somewhere between 85 and 100 percent of their wartime capability funding.

This applies to the Air National Guard, Air Force Reserve and Marine Corps Reserve and to a lesser extent to the Navy and the Army.

On the other hand, the Coast Guard Reserve is being funded at 55 percent of what is estimated to be a mobilization requirement. We believe that should be increased and should be done very quickly.

We would suggest that instead of the present 12,000 limit on the Coast Guard Reserve, the number be increased to 16,500 by the end of fiscal year 1986 and do this in three stages, beginning with 1,200 people for fiscal year 1984. This would result in an increase in the budget to $66 million which is about $7 million more than the Commandant requested, but we feel this is a modest amount of money for a vital service.

I would point out to you that if we have a war, nothing moves out of the ports of the United States that is not policed by the Coast Guard. They are responsible for port security.

Port security is primarily the mission of the Coast Guard Reserve. So, while we feel that our requests are rather modest, we realize your budget problems, we do think the Coast Guard is one of the best buys for the dollar that the taxpayer gets.

Thank you very much.

Senator ANDREWS. General Roberts, it is good to have you here.

As you know, the subcommittee has felt rather strongly about that. As a matter of fact, we have directed the funding of these cutters from DOD funds. It did not come out of the Coast Guard since those ships do revert to the Navy in time of war and they should be in the hands of the Coast Guard.

The other thing we have begun is look-see, why don't we put some Hawkeyes in the hands of the Coast Guard so that they can use them for surveillance instead of Navy flying and looking at buoys.

General ROBERTS. I was in Mexico City last week and talked to the attachés down there. They are quite concerned with the lack of look-down capability around the Caribbean in connection with drug interdiction.

The Coast Guard has to be beefed up in this area.

Senator ANDREWS. Thank you very much.

[The statement of General Roberts follows:]

STATEMENT OF MAJ. GEN. J. MILNOR ROBERTS, AUS (RETIRED)

Mr. Chairman and Members of the Committee: It is a pleasure to have the opportunity to appear before this Committee for a presentation by the Reserve Officers Association (ROA) concerning the United States Coast Guard and the Coast Guard Reserve.

During the last few years, I have detailed before this committee the concern of ROA over the state of the Coast Guard and Coast Guard Reserve. While the Department of Transportation FY 1984 Budget Request for the Coast Guard is a significant improvement over FY 1982 and 1983 submissions, it nevertheless is essentially a level effort request. While it proposes no reductions, neither does it contain any significant improvements.

"Coast Guard Satisfied with Insignficant Decrease in FY 1984 Budget." This months issue of the prestigious Armed Forces Journal carries this headline as a preamble to an article about the FY 1984 Coast Guard budget submission. Permit me to quote the first paragraph of the article. "The Coast Guard will enjoy a modest three percent increase in budget authority in FY 1984, a budget which will, according to the Department of Transportation's General Highlights of the Department's FY 1984 Budget, 'reflect a continuation of the Administration's plan to modernize and improve the dependability of the Coast Guard's capital plant, and to Provide adequate resources to support the Coast Guard's contributions to national goals of maintaining an adequate defense...' That increase, however, will not even cover inflation, resulting, as one Coast Guard observer put it, in an 'insignificant decrease.' He added, "The Coast Guard is Happy with that, after what has happened to its budget in the past two years.'"

During Spetember 1981, we testified during Coast Guard Oversight hearings before the House Subcommittee on Coast Guard

and Navigation. Many of our comments and recommendations were reflected in the "Semi-Paratus" report resulting from those hearings. That report openly surfaced many deficiencies involving the nation's oldest, continuous sea-going service. Concern remains about the readiness of the Coast Guard to carry out effectively its wartime mission. GAO Report, PLRD-82-98, issued on August 18, 1982, reflects this concern stating that, "Our review...disclosed several problems which raise questions about the Coast Guard's ability to successfully carry out its on-going peacetime missions and to assume additional ones to support Navy operations in wartime." Recent military mobilization exercises, including NIFTY NUGGET, PROUD SPIRIT, and PROUD SABER have repeatedly shown serious deficiencies in Coast Guard personnel, equipment and training capabilities. Since no significant budgetary measures have apparently been initiated to remedy these deficiencies, the Reserve Officers Association recently adopted a resolution (ROA resolution 83-4) urging that the Secretary of Transportation request and allocate sufficient resources to the Coast Guard budget to promptly eliminate the military readiness deficiencies of the Coast Guard as cited in the General Accounting Office's Report to the Secretary of Transportation on the Readiness of the Coast Guard, and by 1 October 1983 to "present a time-phased plan to Congress to implement the necessary changes and adjustments to the size, organization and structure of the Coast Guard", as recommended in the GAO Report. (A copy of this resolution is attached for information).

In previous testimony, we concluded that the Coast Guard and Coast Guard Reserve were not fully prepared to meet their statutory military duties as prescribed in 14 U.S.C. 1, which provides for the Coast Guard to be "...a military service and branch of the armed forces of the United States at all times." While this situation is definitely receiving increased emphasis ROA is concerned that progress in certain areas is still too

slow. For example, Semi-Paratus Report, noted that the Coast Guard was able to perform only 38 percent of the training necessary to fulfill its military readiness goals and recommended that additional resources be made available to permit steady improvement. While the FY 1984 Administration request for $84.6 million for Military Readiness Training represents a significant improvement over the $68.4 million appropriated in FY 1983, it still is a reduction of $3.3 from the level requested by the Commandant. The Commandant should be provided every penny he believes that he can utilize in this extremely vital area. Accordingly, ROA recommends that, at a minimum, $88 million be authorized for Coast Guard Military Readiness Training for FY 1984.

Another specific item of concern which impacts on military readiness - cutter modernization. Only $23 million is included in the Administration budget request for the 378' cutter program. Most observers believe that at least $70 million is needed per year to keep the modernization program apace with needs. The Commandant, indeed, requested $111 million for FY 1984. Again, ROA strongly recommends that the program be funded at the level requested by the Commandant.

The current Transportation Secretary, Mrs. Elizabeth Dole, has publically and privately expressed strong support for the Coast Guard. As a part of her recent confirmation hearings, Mrs. Dole was asked, "As Secretary of Transportation, will you recognize the Coast Guard as a military force and insist that adequate funding be provided not only to carry out its many peacetime missions but also to maintain its military readiness for wartime?" Secretary Dole's response was, "I assure you, I recognize the statutory responsibilities of the Secretary of Transportation to maintain the Coast Guard in a state of readiness to function as a specialized service in the Navy in time of war. The Coast Guard is one of the nation's five armed forces with important tasking in several areas;

principally strategic mobility and port security. The Coast Guard Reserve adds a significant dimension to the contribution to the National defense. I will continue to fully support the Coast Guard's military readiness mission as an integral part of our national defense."

While Mrs. Dole's time in office has been too short to generate new support initiatives, we in ROA are encouraged by this apparent change in attitude at the Department level. Historically, however, support for the Coast Guard at DOT and OMB has not been strong and, for that reason, ROA remains concerned.

We are concerned that personnel still remain at DOT and OMB who have persistently attempted to reduce the Coast Guard to an eventual state of impotency.

We are concerned knowing that DOT is second only to DOD in having cognizance over programs with national security impacts -- Coast Guard; CRAF, Highways; Airways, Waterways; Parkways; Ports; Dams; etc. Nevertheless, when at a recent ROA meeting, Congressman Charles Bennett (D-FL), Chairman, Subcommittee on Seapower, HASC, was asked if national security occupied a high priority in the DOT planning and decision process, he replied, "To the best of my observations and knowledge, I do not believe so."

We are concerned that more rapid progress is not being made towards the maintenance of a Coast Guard which is fully manned, trained and equipped to meet its peacetime and wartime missions. The table set forth below dealing with certain very vital Coast Guard appropriations is quite enlightening and forms the basis for this concern.

A three percent increase in budget authority -- an increase which will not cover inflation - represents at best, as was said

earlier, "An insignificant decrease." Last year, ROA strongly supported the figures put forth in HR 5617. We again support those figures and recommend that these vital appropriations at least be funded to the levels requested by the Commandant.

	Rec. in HR 5617, 97th Congress for FY 1984	Requested by Commandant	Incl. in Administration's Budget
Operating Expense	$2.026 billion	$1.75 billion	$1.69 billion
A, C & I	700 million	685 million	378 million
R, D, T & E	33 million	25 million	22 million
Reserve Training	NA	59.1 million	54.8 million
Military End Strength	41,500	40,794	39,289

This committee is also responsible for funding the Coast Guard Reserve. Accordingly, I would like to take a few minutes to discuss the Reserve. In the on-going problems surrounding the Coast Guard, generally, very little is mentioned about the Reserve. The aforementioned GAO Report did, however, comment at length about apparent deficiencies in Coast Guard Reserve logistical support and training. I strongly commend this report to your attention if you have not already been provided a copy. As we have noted numerous times, the Coast Guard Reserve is essential to the accomplishment of the Coast Guard's port security mission, a critical mission which, according to most national security authorities, is the primary mobilization responsibility of the Coast Guard.

ROA is concerned, however, that the administration proposes that the Coast Guard Selected Reserve strength for FY 1984 remain at 12,000, its current authorized and funded level. I suppose this is progress of a sort since last year the administration inexplicably requested a reduction of 1,300 in Selected Reserve strength -- to a level of 10,700. This proposal was so outrageous on its face that it was totally rejected by the Congress. As a matter of information, in FY 1982 Congress authorized the first increase in Coast Guard

Reserve strength in over 10 years, albeit a small one of 300 man years, bringing it to its current strength of 12,000.

It should be realized that the current Coast Guard Reserve strength level of 12,000 represents only 55 percent of its wartime requirements. In comparison, the other Armed Services Reserve Components are authorized and funded to strengths approaching an average 90 percent of mobilization requirements. Additionally, the Secretary of Defense has directed that all Services bring their Selected Reserve Components to 100 percent of mobilization requirements by the end of FY 1987. That effort is well underway in the Army, Air Force, Navy and Marine Corps. However, such guidance has obviously made no impact in DOT planning, whatsoever. Certainly the Coast Guard does not belong to the Secretary of Defense and is, therefore, not bound by his guidance. Nevertheless, those mobilization requirements designated to be met by the Coast Guard are no less real. Recognition of this fact should result in DOT cooperation in maintaining comparability with DOD Reserve Components as they pertain to mobilization readiness of the Armed Forces.

Mobilization of both the Coast Guard Selected Reserve and the IRR will still result in a deficit of at least 6,000 people short of the 22,000 mobilization requirement. Further, while this requirement is currently undergoing review, every possible indicator reflects a real requirement significantly higher than 22,000. Since this number hasn't changed in over ten years, a higher requirement certainly appears logical. Accordingly, ROA cannot concur with a budget submission which requests no growth whatsoever in Coast Guard Selected Reserve strength.

ROA strongly recommends that, as a minimum, the Coast Guard Selected Reserve strength be increased to 75 percent of current stated requirements -- 16,500; and that a target date for attainment of this strength be established as 30 September 1986.

ROA further recommends that FY 1984 Coast Guard Reserve Training funding in the amount of $66 million be appropriated to support an increase of 1,200 to a level of 13,200 -- a level which we believe to be reasonably attainable. In his submission of the Coast Guard budget to DOT, the Commandant included a Selected Reserve increase of 500 to a level of 12,500. Even that modest increase was eliminated at both the DOT and OMB levels. Such action appears to reflect a complete misunderstanding on the part of the department for the statutory role of the Coast Guard as an Armed Force and certainly a disregard for the guidance of the Secretary of Defense as to the Selected Reserve strengths necessary for contribution to an adequate national defense.

The military readiness of the Coast Guard and the Coast Guard Reserve must be increased -- neither permitted to diminish nor to remain at a level below that required. Both are absolutely essential to the successful implementation of the concept of rapid deployment and strategic mobility. The Department of Defense and the National Security Council have recognized the contribution of the Coast Guard to national defense. We must, as a nation, do likewise by authorizing the necessary increased strength levels and funding.

ROA strongly supports the actions and initiatives generated by Admiral Gracey as Commandant during the past several months. Through his leadership, a corner has been turned. Lack of enthusiastic support at DOT and OMB, however, has prevented any real build-up of headway.

The Administration appears unwilling to ask the Congress for those increases necessary to meet readiness requirements. Again, therefore, we must ask you, the Congress, to act. The Coast Guard provides a host of services which are absolutely essential to the military readiness, health, safety, economy and environment of the ports and waterways of the United States and to the deployment of specialized personnel to overseas ports.

They certainly have the support of the American people. They obviously don't have the full support of the Administration. As in past years, they need yours.

In accordance with our Congressional Charter, to insure adequate national security, ROA is advising this committee that the Coast Guard and the Coast Guard Reserve must be recognized as a fully functioning partner of the Armed Forces team. Further, that they must be provided with fiscal support commensurate with the other armed forces and at a level adequate to effectively carry out their lawful mission, both in peace and war. We understand the budgetary pressures under which the Congress is operating this year. Nevertheless, nothing less can be accepted!

Resolution No. 83-4
(Coast Guard)

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Military Readiness of the United States Coast Guard

WHEREAS, recent and repeated Congressional studies have indicated serious deficiencies in the United States Coast Guard's military readiness; and

WHEREAS, the General Accounting Office's Report to the Secretary of Transportation on the Readiness of the U.S. Coast Guard specifically identifies three particular continuing readiness problems:

a. difficulties in assigning the Coast Guard wartime tasks to support Navy operations and in developing viable plans for carrying out the tasks;

b. readiness problems which impair peacetime operations and which would affect Coast Guard performance of wartime missions; and

c. a need to better coordinate the Coast Guard's port security wartime mission with other Federal agencies and to improve the peacetime Reserve training program and planning for the logistical support of the Reserves at mobilization; and

WHEREAS, the Department of Transportation statement on the GAO report details current efforts to meet the deficiencies cited in the GAO report but does not propose significant new initiatives or increased allocation of resources to improve Coast Guard readiness; and

WHEREAS, recent military mobilization exercises, including NIFTY NUGGET, PROUD SPIRIT and PROUD SABER, have repeatedly shown the same serious deficiencies in Coast Guard personnel, equipment, and training capabilities and no budgetary corrective action has been taken to remedy these deficiencies;

NOW, THEREFORE, BE IT RESOLVED that the Reserve Officers Association of the United States urges the Secretary of Transportation to request and allocate sufficient resources to the Coast Guard budget to promptly eliminate the military readiness deficiencies of the Coast Guard as cited in the General Accounting Office's Report to the Secreatry of Transportation on the Readiness of the Coast Guard, and by 1 October 1983 to "present a time-phased plan to Congress to implement the necessary changes and adjustments to the size, organization, and structure of the Coast Guard", as recommended in the aforesaid General Accounting Office Report.

Adopted by the National Council
23 February 1983

Attest: J. Milnor Roberts
Major General, AUS (Ret.)
Executive Director

CITY OF LAFAYETTE, IND.

STATEMENT OF THE HONORABLE JAMES F. RIEHLE, MAYOR

ACCOMPANIED BY DAN HOGARTY, PROJECT MANAGER OF THE LAFAYETTE RAILROAD RELOCATION PROJECT

Senator ANDREWS. Our next witness is Hon. James Riehle, mayor of the city of Lafayette, Ind. Glad to have you here, Mr. Mayor.

Mayor RIEHLE. Thank you, Mr. Chairman.

Permit me to introduce Dan Hogarty, project manager of the Lafayette Railroad relocation project.

I appreciate the opportunity to testify before you today. In particular, I would like to address the question of appropriations for the railroad relocation demonstration cities program which was authorized in section 163 of the Federal-Aid Highway Act of 1973 and in the Surface Transportation Assistance Act of 1982 at an annual level of $50 million.

I would like to request that $20.8 million be appropriated and designed for the Lafayette Railroad relocation project. Current funding extends only through January 1984.

Lafayette is one of the 19 demonstration cities. We understand that, in light of current economic goals, it will not be possible to implement all of these projects. I would, however, encourage you to maintain funding continuity for exemplary projects which can meet the September 1985 deadline for being under construction contained in the 1982 authorization of the program.

Lafayette is in that position. The project will also provide significant opportunities for economic development at a time when economic recovery is of critical importance to our area of the country.

We have been involved with Senators Lugar, Quayle, and Congressman Myers in our work on railroad relocation and they are supportive of the project as the accompanying letters indicate (see exhibits A, B, and C).

Lafayette had fulfilled the intent of Congress far beyond the guidelines given in the original legislation. The quality of our design

and our design process received national acclaim in 1981 when the design for transportation national awards program, cosponsored by the Department of Transportation and the National Endowment for the Arts, selected the Lafayette Railroad relocation project to receive 1 of only 17 awards of design excellence out of 250 entries.

An additional 50 design commendations were given, but Lafayette's was the only railroad relocation project cited in either category (see exhibit D).

I am very proud of what we have accomplished in Lafayette and I would like briefly to review our situation for you.

The Greater Lafayette area has a population of 120,525, west Lafayette—home of over 30,000 Purdue University students—lies across the Wabash River to the west. Significant industrial expansion is occurring east and south of the city, for example, a large Caterpiller plant has been constructed and is now coming online.

This accelerating crosstown traffic pattern comes into direct confict with the railroads serving the city. Between 30 and 40 trains per day tie up 42d Street crossings that block every major arterial through our city. One line even runs along the center of a major street through the heart of the downtown business center.

There are 150,000 vehicles crossing the tracks daily; of these, trains stop 13,000 including emergency vehicles and 10 of 14 bus routes. An average of 16 serious accidents occur annually.

Truck maintenance is difficult and costly. Train speeds of 10 to 20 miles per hour waste time and fuel and could increase to 55 miles per hour in the new corridor. The flow of interstate rail commerce will be considerably enhanced by the proposed new rail corridor. The present track location also depresses the economic potential of large portions of the central city.

Efforts to resolve this stifling urban-rail conflict go back to the 1920's. We are now proposing to consolidate the Norfolk Southern and the Seaboard Systems lines, into a single corridor through the city eliminating all 42d Street crossings.

Current studies dating from 1971 and done in conjunction with a vigorous public participation program, have brought the project to the brink of construction. The environmental impact analysis and hearing process for our project was completed 4 years ago with the design public hearing and approval occurring in 1981.

Both hearings were well attended and, as rarely happens with projects of this magnitude, no public opposition was voiced at either hearing (see exhibit E).

There have been hundreds of group presentations and literally thousands of individual contracts including the 141 property owners directly affected. We have also secured the cooperation of four different railroads in resolving numerous operational questions.

Final engineering began last May and construction packages for two-thirds of the project will be completed by next January, 1984. A total of $6.3 million has been obligated to the project to date. The city of Lafayette has no outstanding general obligation bonds and is reserving its bonding capacity to provide the local match for constuction funds.

I have made available for each of you a copy of our design summary and would like it to be considered a part of the testimony. If you have your copy at hand, you might want to look at:

Pages 4 and 5 which show the path of the rails through the center of town and all the major arterials affected by tracks; and

The fold-out map which shows the full physical scope of the project.

We have, incidentally, been commended for achieving these results with a very small staff—project director, an assistant, and a secretary/bookkeeper. This design summary, for example, was produced by our local office.

The basis for our continued effort is the expressed intent given in 1978 by the House Committee on Public Works and Transportation that "the project be funded through to completion of construction."

Also, Lafayette was given funding priority in the 1982 Transportation appropriations bill. Failure to implement the project at this point would waste the large investment already made in resolving successfully the main issues reflected in the completed design plans.

It would also deal a severe blow to public confidence in Government and to public confidence in the extraordinary community problem solving process that has gone into railroad relocation.

In summary, then, you can see that we are well along with our project and have achieved great success in demonstrating how to develop a well-designed, publicly popular solution to a crippling urban-rail conflict.

The Lafayette project is not a piecemeal approach. It resolves the entire problem and what we have learned can be applied to other communities.

In addition to safety and transportation benefits, railroad relocation will yield significant opportunities for industrial development along both the abandoned right-of-way as well as the new rail corridor at a time when our region is working hard to stimulate economic recovery.

It is also apparent that any project securing construction funds from the 1982 authorizations will be in a favorable construction bidding climate and thus in a position to realize significant savings in overall construction costs.

Considering the statutory deadline; I would, therefore, request that $20.8 million be appropriated and specifically designated for Lafayette which would implement these activities:

One, the balance of the final engineering work, $1.8 million;

Two, land acquisition for the southern portion of the project, $4 million; and

Three, construction of an independently useful segment of the Lafayette Railroad relocation project, $15 million.

I want to thank you again for the opportunity to testify before the subcommittee.

Senator ANDREWS. Thank you, Mr. Mayor. Glad you came.

[The exhibits accompanying the statement of Mayor Riehle follow:]

LETTER FROM HON. RICHARD G. LUGAR, U.S. SENATOR FROM INDIANA

EXHIBIT A

The Honorable James F. Riehle
Mayor
City of Lafayette
Big Four Depot
10 South 2nd Street
Lafayette, Indiana 47905

January 5, 1983

Dear Jim:

Thank you for your recent communication regarding the importance of the Lafayette Railroad Relocation Project. As a former mayor and past member of the Senate Banking and Urban Affairs Committee, I certainly understand your concern.

I am pleased to report that H.R. 6211, the gasoline user fee legislation recently approved by the Congress, incorporated the appropriate reauthorization language for Lafayette and other similar railroad projects. Our success was accomplished by a coordinated effort with members of both the House and Senate, particularly the Indiana and Illinois delegations. The reauthorization represents another step in ridding Lafayette of a situation that impedes the commerce and is a constant threat to the general welfare of the city's residents.

You have my continued assurance of continued assistance in the ultimate realization of the project. Please know that I am grateful for your encouragement and steady support.

Sincerely,

Richard G. Lugar
United States Senator

LETTER FROM HON. DAN QUAYLE, U.S. SENATOR FROM INDIANA

EXHIBIT B

Mr. Burr S. Swezey, Jr.
Chairman of the Board
Lafayette National Bank
Lafayette, Indiana 47902

February 23, 1983

Dear Burr:

Thank you for your letter expressing your interest in and your support for the Lafayette Railroad Relocation Project. I have purposely delayed my response to your letter so that I could provide you with a comprehensive analysis of recent legislation that will have a dramatic impact on the future of this project.

With the enactment of the Surface Transportation Assistance Act of 1982, the authorization for the Rail-Highway Demonstration Projects has been extended through September 30, 1986. This authorization includes a maximum annual funding level for all of the projects of $50 million, thus providing a maximum available authorization of $200 million for all of the rail relocation projects in the nation. This is an especially important step for Lafayette because the Administration and the appropriate Committees in Congress had previously slated these projects for deauthorization. This action would have effectively eliminated any hope for Federal involvement in the Lafayette project. That action would have in turn eliminated any reasonable prospect for completion of the relocation project.

It is important to understand that an authorization does not assure the future of these projects. Rather, it gives these projects the opportunity to compete for available funds. Throughout the next four years, it will be necessary for Lafayette and the other cities that have similar projects to go through the appropriations process, as well as the actual funding obligation process. Current estimates from the Federal Highway Administration show that there are at least 15 projects that are incomplete and their total cost is estimated to be $1 billion. You will understand that the $200 million authorization will not be sufficient to complete all of these projects.

I have recently met with Mayor Riehle and with the project coordinators. We had the opportunity to discuss the current status of the project and also to discuss how to best proceed toward making this long-standing project a reality. My staff also arranged for the Mayor to meet with representatives of the Federal Highway Administration to determine their outlook on the future of these projects. Though the meeting, in and of itself, was somewhat discouraging, it did not preclude the possibility of this project being completed.

As you are well aware, this is a huge undertaking and it is going to take some creative planning and perhaps some reorganization of the actual plans to get it finished. I can assure you, however, that the project will continue to have my support.

Thank you for your interest and please feel free to contact me at any time that I can be of assistance to you.

Sincerely,

Dan Quayle

LETTER FROM HON. JOHN MYERS, U.S. REPRESENTATIVE FROM INDIANA

EXHIBIT C

Honorable James F. Riehle
Mayor of Lafayette
c/o 10 South Second Street
Lafayette, Indiana 47905

December 16, 1982

Dear Jim:

Thank you for your kind letter upon completion of House action on the Surface Transportation Act of 1982.

When the Simon amendment passed I tried to call you from the cloakroom but there was no answer at your office or home. It was after 6:30 P.M.

was prepared to offer an amendment that would have permanently authorized the project without a specific spending limit. That is why Congressman Simon's amendment was viewed as a winnable compromise.

Now, we are working with Senators Lugar and Quayle in securing support of the Senate conferees to accept the House position when they resolve the differences between the two bills. Already we have been successful in enlisting the support of several other Senators from other affected states.

If there is any additional work that we can do on this issue, please let us know.

Best wishes for the holidays.

Sincerely,

John Myers

DESIGN FOR TRANSPORTATION: NATIONAL AWARDS PROGRAM

EXHIBIT D

This publication is part of the Federal Government's continuing effort to foster design excellence in public spaces. Design is a basic manifestation of all civilized cultures, an activity that helps shape the human environment and, at the same time, reflects and expresses the profoundest values of the peoples and cultures who engage in it.

From its earliest days, American society has made noteworthy contributions to the design arts and professions, and that society today is increasingly sensitive to the physical appearance of its communities. The Federal Government has long shown its concern for improving the living and working environment so that it responds to people's aesthetic sensibilities as well as their functional and health requirements. Evidence of that concern includes presidential directives, legislative mandates, and agency initiatives. In short, the Federal Government is involved in encouraging better design.

The Design for Transportation National Awards Program was the first design awards program for all modes of transportation undertaken by the Department of Transportation. It was also the first time that the Department of Transportation and the National Endowment for the Arts joined together to recognize outstanding achievement in design for transportation. The goal of the program has been to stimulate better design in transportation by increasing public awareness of the value of good design and by recognizing those who achieve it. The projects selected for recognition clearly demonstrate the contribution that aesthetic considerations can make to public spaces, be they highways, bridges, terminals, or even bus maintenance shops. Form and function can work together in a manner that is both practical and pleasing to the eye and thereby enhance both our environment and our transportation system.

We are pleased with the high level of enthusiasm and achievement that has been exhibited by all those who participated in this program. We especially want to thank the award jurors who spent long hours in judging the projects.

We would like to conclude by noting that, in an age of shrinking resources, it becomes even more important to give recognition to those who have pursued design excellence. Good design is one of the most effective means of achieving long-term efficiency in any transportation network. Endorsement of the efforts of design and engineering firms and the public agencies which have executed excellently designed projects is a very appropriate way for government to encourage initiative and fine work without incurring heavy financial costs. We are proud to have been a part of this effort.

Lafayette, Ind., has had a steel headache for years—two major railroad rights-of-way that trisect the city at grade level. The passage of 30 to 40 trains a day has meant interruptions at 42 street crossings with delays for thousands of cars and trucks and disruption of emergency services.

While relocation of the lines was first discussed in 1926, serious studies finally got under way in 1969. By 1975, the City Council endorsed a consolidated route along the Wabash River, and city officials set to work drawing the community into the complex planning that would be required.

The city structured its public participation process in three phases. The first focused on discussions of general corridor location in order to elicit public concerns and minimize the new route's social and economic impacts. In the second phase, the public examined the major alignment alternatives and the effects of each. The third phase addressed specific design issues, such as noise barriers in residential areas and the design and location of crossings.

In order to give the project a special identity, the city established a separate office, designated full-time staff and drew up a logo. The participatory program included "Milestone Reports" to the residents, three sets of public hearings, questionnaires, fact sheets, and even T-shirts. A caboose was set up in Court House square to house a complete exhibit of the project team's work.

In April, 1981, the final plan was presented at a well-publicized Design Public Hearing and accepted without dissent.

The final elements of the relocation project include elimination of all street/rail grade crossings and confining of the consolidated rail line to predominantly commercial, non-residential areas.

The increase of coal shipments by rail has created a thorny issue for many communities. In this case, the jurors felt that public officials had taken the initiative in generating public support through an ambitious participation program "that will improve the aesthetic and functional qualities of downtown Lafayette."

EXHIBIT E

[From the Lafayette (Ind.) Journal and Courier, Apr. 3, 1981]

RELOCATION WINS ENDORSEMENT

By JEANNE NORBERG

Thursday night's public hearing on Lafayette's railroad relocation project was "one of the nicest hearings I've had for a long, long time in the state of Indiana," a state hearing officer said.

Not one of the almost 90 people at this last of the formal public hearings on the $60 million project spoke against the project as Herald E. Fancher of the Indiana State Highway Commission called for comments. Rather, 15 community leaders and citizens, most representing a wide variety of public offices and organizations, endorsed and praised the project.

"We're relieved," said Lafayette's smiling relocation director, Ken Knevel, after the nearly three-hour hearing in the Long Center. "We had been unsure, after years and years going back to 1976, that people did still support the project.

"Most of all we wondered what their questions would be — would they be on the design or the funding? No one came here tonight to complain about the federal funding," Knevel said.

Endorsements came from West Lafayette Mayor Sonya Margerum and Parks Superintendent Roger Beaver; from the YWCA and the Southside Neighborhood Improvement Coalition; from the Board of Directors of the Lafayette Redevelopment Commission, the Downtown Business Association, the Friends of Downtown, and from private citizens such as Amtrak engineer, Bill Johnson.

Johnson said he well remembers the traffic he has stalled and said, "I speak from experience, having sometimes killed people" at railroad crossings.

"We need railroad relocation," Johnson said emphatically.

Letters of endorsement also were received from Purdue University Executive Vice President Frederick Ford and Lafayette National Bank President David Howarth.

Purdue endorsed the project and its "obvious benefits ... especially since the funding for this project comes from a dedicated user tax, we hope this project will be given top priority," Ford wrote.

Before the endorsements came tumbling in without skipping a beat, Lafayette Mayor James Riehle warned that the time is now for action.

"In my judgement, if it doesn't happen this time, it will not happen at all," Riehle said.

Riehle spoke knowing that April will be what Knevel called "the most critical month in the history of railroad relocation."

"Congress is now debating the funding level for these projects for the next four years. They are talking among themselves, putting together an authorization bill," Knevel explained.

The level of that authorization for the 19 demonstration projects nationwide will give the Federal Highway Administration an indication as to whether the project will be funded to completion. In turn, the FHA will decide whether to let Lafayette use the $6 million it needs to launch the next stage, final engineering.

Although Congress in October earmarked that $6 million for Lafayette, the FHA could withhold it if the bureaucrats sense that the project is unlikely to be funded to completion.

Thursday night's public hearing is part of the culmination of the "design phase" of the relocation project. The approximate location of the rerouted rail corridor was selected during the preceding "environmental impact phase." In the design phase, the details — precise placement of the track, the flow of interchanges and traffic were more clearly defined.

Written and oral comments made at the public hearing, formally conducted by the state highway commission, will be entered into the record. Additional public comments will be accepted if submitted in writing by April 16 to the Manager of Planning Information, Indiana State Highway Commission, Room 1205 of the State Office Building, 100 N. Senate Ave., Indianapolis, 46204.

Based on the latest public recommendations, the state officials will suggest further alterations, if any, in Lafayette's plans. Then the state officials endorse the plan, they will send it on for review to the FHA, where it will be accepted or rejected.

The suggestions offered by the audience for the most part reflected the city's proposal.

For example, DBC agreed with WL Mayor Margerum who underscored the need for "consideration of measures to minimize the noise levels and present an attractive and aesthetically pleasing appearance from the west side of the river."

To accomplish this, the city proposes installing a wall between the tracks and the river to stabilize the bank and screen the trains from the future Heritage Trail. A partial earthen berm would blend the wall in with the natural surroundings.

The crowd spoke in favor of a landscaped earthen berm over a wall around the track to add to the attractiveness of the tracks and cut down on noise as the trains skirt populated areas. City officials also have incorporated this idea in the design. However, the ultimate decision must be made by FHA because a berm will take more land and cost more than a wall.

NATIONAL SMALL SHIPMENTS TRAFFIC CONFERENCE

STATEMENT OF JAMES H. EDLER, PRESIDENT, NATIONAL SMALL SHIPMENTS TRAFFIC CONFERENCE, INC., COMMISSIONER, MOTOR CARRIER RATEMAKING STUDY COMMISSION, CORPORATE DIRECTOR OF TRAFFIC, AMERICAN GREETINGS CORP.

ACCOMPANIED BY:

JOSEPH F. H. CUTRONA, EXECUTIVE DIRECTOR, NATIONAL SMALL SHIPMENTS TRAFFIC CONFERENCE, INC.

STEVEN J. KALISH, PRINCIPAL, McCARTHY, SWEENEY, & HARKAWAY, P.C., ATTORNEY, NATIONAL SMALL SHIPMENTS TRAFFIC CONFERENCE, INC.

Senator ANDREWS. Our next witness is Mr. James Edler, president of the National Association of Small Shipments Traffic Conference.

Mr. EDLER. Thank you.

I have Joe Cutrona, executive director, to my left and Steve Kalish to my right, who is counsel for the National Small Shipments Traffic Conference.

I am James Edler, president of the National Small Shipments Traffic Conference, Inc., and Commissioner of the Motor Carrier Ratemaking Study Commission, and Corporate Director of Traffic, American Greetings Corp.

On behalf of NASSTRAC, I thank you for allowing us to present our views with regard to the budget for the Interstate Commerce Commission for fiscal year 1984 and related issues.

NASSTRAC is an organization representing the interest of approximately 300 companies and industry associations whose members tender significant volumes of freight to the transportation companies under the regulatory jurisdiction of the Interstate Commerce Commission.

This is the first time that NASSTRAC has presented its views to a congressional committee with regard to the ICC budget. This new effort on our part is designed to insure that budgetary restrictions do not yet become another impetus to administrative deregulation of the industry beyond the will of Congress and the needs of the shipping public.

Prior to presenting our views on the fiscal 1984 budget and related issues, I should note that NASSTRAC recently has adopted a brief position paper that sets forth our short-term and long-term goals with respect to economic regulation of the surface transportation industry. A copy of that position paper is attached for your review.

As you can see, the short-term goals of NASSTRAC are to insure that the ICC regulates the surface transportation industry in a manner we believe to be compatible with the will of Congress.

Our long-term goals include significant changes in the law, including the termination of collective ratemaking, we believe to be needed to bring economic regulation of transportation in line with the needs of the 1980's.

As outlined by Chairman Reese H. Taylor, Jr., before this subcommittee on March 15, 1983, the proposed ICC fiscal year 1984 budget is $58,038,000 and is designed to support 1,100 full-time employees. This represents a decrease of $7,562,000 from the fiscal year 1983 budget and a decrease of 282 employees.

Chairman Taylor was candid in saying that the only way that this budget would be adequate for the Commission is if Congress adopts a number of legislative proposals designed to reduce the Commission's workload. And, as you, Mr. Chairman, noted, these legislative proposals have not even been offered by the administration. Thus, there is a reasonable possibility that the Commission's budget will not be adequate to perform the tasks to which the Commission has given priority.

Of greater importance, the ICC's budget will also affect the Commission's ability to perform some of its core functions. For example, since 1979, the Commission has reduced the staff of its Suspension Board, the employee board charged with initial review of motor carrier rate changes, from 34 to only 7, a reduction of almost 80 percent.

Thus, even if the Commission were willing to carry out its duties as mandated by the Interstate Commerce Act, a subject on which I will have more to say, its staffing of this important employee board would make it difficult, perhaps impossible, to do so in the rate area.

To summarize, the position of NASSTRAC with regard to the fiscal year 1984 ICC budget is that the Interstate Commerce Act assigns a number of vital functions to the ICC and, unless those functions are reduced, the agency's budget should not be cut to the extent that it cannot fulfill the role given it by Congress.

Since 1979 there have been three types of changes in the activities of the Interstate Commerce Commission. This first type consists of changes mandated by Congress in legislation including the Staggers Rail Act of 1980 and the Motor Carrier Act of 1980.

The second consists of reduced activities required to accommodate lower budgets.

The third consists of administrative deregulation of the surface transportation industry that has gone beyond the will of Congress.

Perhaps the clearest example of administrative deregulation beyond the dictates of the act has been in the area of the carriers' rates. The act clearly requires rates to be reasonable.

And yet, there is virtually no rate regulation at the ICC today. Of particular importance to shippers of less-than-truckload (LTL) freight, the Commission does not believe that any motor carrier rate can be unreasonably high.

We strongly object to a system in which the carriers have antitrust immunity to collectively adopt rate increases and the Commission refuses to suspend any general increase on the grounds that it is allowing the marketplace to work.

We also object to the participation of certain Commissioners in deliberations as to the lawfulness of general freight rate increases when their speeches and votes establish that they do not believe that any rate is unreasonable and they are unwilling to enforce the mandate of the act.

I will conclude this testimony by making two requests of the subcommittee.

First, in reviewing the proposed budget for the ICC, we request that the subcommittee consider the important work assigned to the ICC and give it the funds it needs to do its job.

Second, in approving a budget for the agency, we request that the subcommittee admonish the Commission to do its job in the manner ordained by Congress, not in the manner it has exhibited for the past 2 years.

While we support the goals of the Motor Carrier Act of 1980, the Commission must be made to understand that collectively made rates are not the same as competitive rates made in the free market system. Until antitrust immunity is removed, an action we support, shippers, especially shippers of LTL shipments are powerless to protect themselves in the absence of Commission intervention.

Thank you very much.

Senator D'AMATO [presiding]. Thank you very much.

[The statement of Mr. Edler follows:]

17-540 O—84——59

STATEMENT OF JAMES H. EDLER

I am James H. Edler, President of the National Small Shipments Traffic Conference, Inc. (NASSTRAC), a Commissioner of the Motor Carrier Ratemaking Study Commission, and Corporate Director of Traffic for the American Greetings Corporation. On behalf of NASSTRAC, I thank you for allowing us to present our views with regard to the budget for the Interstate Commerce Commission for fiscal year 1984 and related issues.

NASSTRAC is an organization representing the interests of approximately 300 companies and industry associations whose members tender significant volumes of freight to the transportation companies under the regulatory jurisdiction of the ICC. As such, we have long participated in Congressional deliberations with regard to the surface transportation industry and have been active before the ICC in rulemaking and adjudicatory cases.

Notwithstanding this high level of activity, this is the first time that NASSTRAC has presented its views to a Congressional committee with regard to the ICC's budget. This new effort on our part is designed to ensure that budgetary restrictions do not become yet another impetus to administrative deregulation of the industry beyond the will of Congress and the needs of the shipping public.

Prior to presenting our views on the fiscal 1984 budget and related issues, I should note that NASSTRAC recently has adopted a brief position paper that sets forth our short term and long term goals with respect to economic regulation of the surface transportation industry. A copy of that position paper is attached for your review. As you can see, the short term goals of NASSTRAC are to ensure that the ICC regulates the surface transportation industry in a manner we believe to be compatible with the will of Congress. Our long term goals include significant changes in the law, including the

termination of collective ratemaking, we believe to be needed to bring economic regulation of transportation in line with the needs of the 1980's.

I. The Proposed FY 1984 Budget Has Been Cut To The Bone (AND PERHAPS BEYOND)

As outlined by Chairman Reese H. Taylor, Jr. before this Subcommittee on March 15, 1983, the proposed ICC FY 1984 budget is $58,038,000 and is designed to support 1,100 full time employees. This represents a decrease of $7,562,000 from the FY 1983 budget and a decrease of 282 employees.

Chairman Taylor was candid in saying that the only way that this budget would be adequate for the Commission is if Congress adopts a number of legislative proposals designed to reduce the Commission's workload. And, as you noted, Mr. Chairman, these legislative proposals have not even been offered by the Administration. Thus, there is a reasonable possibility that the Commission's budget will not be adequate to perform the tasks to which the Commission has given priority.

Further, Chairman Taylor's responses to the Subcommittee's questions reveal a number of areas of significance that have received minimal attention from the Commission in the recent past and that may be cut back even further in the future. These issues include: violation of antitrust laws; carrier fitness; household goods carrier practices including weight bumping; insurance; kickbacks; lumping and other abuses affecting owner-operators; misappropriation of carrier assets; compliance with ICC orders; loss and damage; overcharges; duplicate payments; rebates; record maintenance; service needs of shippers; unapproved mergers, acquisitions, and consolidations; and unauthorized transportation. Clearly, the extent to which the ICC's budget is cut this year will have a significant impact on its enforcement activities in these areas and others in the future.

Of greater importance, the ICC's budget will also affect

the Commission's ability to perform some of its core functions. For example, since 1979 the Commission has reduced the staff of its Suspension Board, the employee board charged with initial review of motor carrier rate changes, from 34 to only 7, a reduction of almost 80 percent. Thus, even if the Commission were willing to carry out its duties as mandated by the Interstate Commerce Act, a subject on which I will have more to say, its staffing of this important employee board would make it difficult, perhaps impossible, to do so in the rate area.

To summarize, the position of NASSTRAC with regard to the FY 1984 ICC budget is that the Interstate Commerce Act assigns a number of vital functions to the ICC and, unless those functions are reduced, the agency's budget should not be cut to the extent that it cannot fulfill the role given it by Congress.

II. The Committee's Report On The ICC Budget Should Call The Commission To Task For Failing To Enforce The Interstate Commerce Act

Since 1979 there have been three types of changes in the activities of the Interstate Commerce Commission. The first type consists of changes mandated by Congress in legislation including the Staggers Rail Act of 1980 and the Motor Carrier Act of 1980. The second consists of reduced activities required to accomodate lower budgets. The third consists of administrative deregulation of the surface transportation industry that has gone beyond the will of Congress.

Chairman Taylor was candid in saying that the proponents of deregulation of export coal traffic and boxcar traffic had not made out a case for the exemption from ICC regulation they sought. And yet, that exemption was granted. Other examples of the ICC ignoring the facts and the law have abounded within the past few years.

Perhaps the clearest example of administrative deregulation beyond the dictates of the Act has been in the area of the carriers' rates. The Act clearly requires rates to be

reasonable. And yet, there is virtually no rate regulation at the ICC today. Of particular importance to shippers of less-than-truckload (LTL) freight, the Commission does not believe that any motor carrier rate can be unreasonably high. On March 25, 1983, the Commission refused to suspend or even to investigate general freight rate increases amounting to approximately $800,000,000 proposed by the nine major rate bureaus. Notwithstanding the fact that these increases were proposed collectively by the bureaus under a grant of antitrust immunity, the Commission continues to treat such increases as if they were simply a part of the free market at work. They are no such thing. They are increases in rates that would not be borne by shippers and consumers in the absence of collective ratemaking and in the absence of an Interstate Commerce Commission whose members believe that the Interstate Commerce Act has been rewritten to say that the Commission should not regulate rates in any way.

It should also be noted that the general freight rate increases proposed by the rate bureaus for April 1, 1983, continued a pattern of increasing the relative burdens of shippers of small shipments. That is, every bureau proposed an increase on small shipments that was greater than the increase proposed for truckload shipments. And, these proposals were made in spite of the fact that the expense increases claimed by the bureaus were not greater for small shipments than they were for large shipment and many of the bureaus' "justifications" for these increases admitted that the profitability of small shipments traffic was already far higher than the profitability of truckload traffic.

What meaning does the provision of the Act prohibiting unjust discrimination against types of traffic have when the Commission allows carriers to earn profits (before interest and taxes) of 20 cents on the revenue dollar on small shipments

while they are losing 20 cents on the revenue dollar on truckload shipments?

We strongly object to a system in which the carriers have antitrust immunity to collectively adopt rate increases and the Commission refuses to suspend any general increase on the grounds that it is allowing the marketplace to work. We also object to the participation of certain Commissioners in deliberations as to the lawfulness of general freight rate increases when their speeches and votes establish that they do not believe that any rate is unreasonable and they are unwilling to enforce the mandate of the Act.

In a recent article in the Washington Post, the Chairman of this subcommittee addressed a similar problem in airline rates, i.e. the fact that rates per mile on some routes are grossly disproportionate to the rates per mile on other routes. Chairman Andrews proposed that no airline be permitted to charge more per mile than 30 percent above what it charges for travel on the lowest-price route in its system. An analogy to this proposal in the motor carrier ratemaking area would be a rule that the operating ratio (operating expenses divided by operating revenues) for traffic in any weight bracket should never be more than "x" points below the highest operating ratio for any other weight bracket. At the very least, such a standard would prevent gross discrimination against shippers of small shipments who do not have the competitive options available to shippers of truckload volumes.

Parenthetically, I should note that the same problems I have discussed with respect to motor carrier rate regulation, or the lack thereof, also apply to railroad rate regulation. The Commission's most recent decision in its coal rate investigation case would make it virtually impossible for any shipper to establish that any railroad rate is too high. When this is combined with the Chairman's statement before this Subcommittee that the coal decision should also be applied to

other commodities, Director Young's promise to this Subcommittee that the Commission will evaluate the reasonableness of rates on captive traffic on a case-by-case basis is indeed hollow.

I would also like to point out one other area in which the ICC's inability to monitor its decisions has negatively affected shippers. Chairman Taylor said that the deregulation of TOFC/COFC traffic was going well and gave it credit for increases in the volumes of such traffic handled by the railroads. He failed to mention that, notwithstanding a Commission order which clearly stated that the railroads would continue to be liable for loss and damage on such traffic unless shippers agreed to the contrary, some railroads are accepting TOFC/COFC freight only if the shipper agrees to allow the railroad to limit its liability for loss and damage, and the Commission has done nothing to stop this practice.

I will conclude this testimony by making two requests of the Subcommittee. First, in reviewing the proposed budget for the ICC, we request that the Subcommittee consider the important work assigned to the ICC and give it the funds it needs to do its job. Second, in approving a budget for the agency, we request that the Subcommittee admonish the Commission to do its job in the manner ordained by Congress, not in the manner it has exhibited for the past two years.

While we support the goals of the Motor Carrier Act of 1980, the Commission must be made to understand that collectively made rates are not the same as competitive rates made in the free market system. Until antitrust immunity is removed, an action we support, shippers, especially shippers of LTL shipments, are powerless to protect themselves in the absence of Commission intervention.

I will be happy to answer any questions you have.

NASSTRAC POSITION

PREAMBLE

Whereas NASSTRAC recognizes that the Interstate Commerce Commission is desisting from the performance of its statutory function of reviewing LTL rate increases to ensure that such rates are just and reasonable and, instead, has been allowing all such rate increases to go into effect so as to inflate LTL rates far beyond the level justified by their costs or by inflationary factors, it has become necessary for NASSTRAC to adopt programs designed to restore some equity for LTL shippers (1) by measures designed to require the Commission to discharge its statutory responsibility and (2) by new legislation designed to restore the rights of LTL shippers by curing the current imbalance which exists between motor carriers and their LTL shipper customers, as follows:

I.

NASSTRAC believes that the balance between the rights of LTL shippers and motor carriers can currently only be achieved by an effective Interstate Commerce Commission which discharges the responsibilities as entrusted to it under the Motor Carrier Act of 1980. NASSTRAC will make every effort toward redirecting the Commission's efforts to the discharge of its proper function, rather than its current policy of calculated nonperformance and ineffectiveness, by all appropriate means, including the following.

(a) The Administration will be apprised that the Commission is allowing unbridled rate bureau increases under the misconception that it is thus promoting free market pricing. The collectively set rate increases have been the antithesis of free market pricing and have squelched the efforts of carriers who would otherwise maintain lower LTL prices. This message will be delivered to the President as well as to the Department of Transportation.

(b) The President will be requested to make upcoming appointments to the Commission of persons who are willing to commit themselves sincerely to applying the Motor Carrier Act of 1980 until such time as it may be further amended or repealed by Congress.

(c) A letter will be dispatched to the Office of Management and Budget in support of maintaining the ICC's budget at the 1983 level of $65 million; advising it not to cut the Commission's staff to the point where it will be operationally ineffective to perform its existing statutory functions; and counseling of the need to maintain a staff adequate to discharge the Commission's statutory functions.

(d) NASSTRAC will communicate to the appropriate Oversight Committees of the House and the Senate that the Commission has not been performing its statutory function of reviewing LTL rate increases to suspend unjust and unreasonable rates; that the abdication of such function appears to proceed from an individual decision by Commissioners not to enforce or uphold the statute; and that the Committees should communicate their concern to the Commission over its failure to discharge its statutory duty and that they will take action unless the Commission takes the proper steps to correct its unlawful course.

(e) NASSTRAC will review and pursue appropriate judicial remedies available to prevent the Commission from pursuing a continuing path deviating from and abdicating the statutory function of applying the Interstate Commerce Act in the public interest, including removal of Commissioners who are unwilling to uphold the law entrusted to their administration.

The foregoing program to restore the effectiveness of the Commission is NASSTRAC's primary goal. Additionally, so that NASSTRAC may be responsive to and participate in whatever legislative initiatives will occur in 1983 to further deregulate the motor carrier industry, NASSTRAC adopts the following legislative program as the minimum residual statutory provisions essential to maintain the flow of commerce:

(a) Antitrust immunity for purposes of collective ratemaking should be terminated, except that for a period not exceeding two years carriers may continue collectively to make general increases subject to maximum increases for all categories of traffic to be limited by a cost increase index derived and promulgated by a National Transportation Board. General increases of individual carriers which have market dominance of specific small shipment markets shall also be limited by the same cost index.

(b) There shall be a National Transportation Board to assume the remaining statutory functions of the ICC, CAB and the FMC, including those legislative provisions proposed herein. In addition, shippers and carriers may voluntarily present disputes for binding arbitration to the Board.

(c) The following legislative provisions are the minimum necessary to protect the interests of LTL shippers:

A. The existing statutory prohibition against discrimination by carriers against shippers shall be preserved, with the administration thereof vested in a National Transportation Board.

B. The statutory requirement for a just and reasonable motor carrier classification shall be preserved. The classification function may be performed by a National Committee of Carriers and Shippers. This Committee may also set national standards in such areas as packaging, credit payment schedules, etc., but not rates or charges. Antitrust immunity will be extended to this Committee to the extent necessary to discharge its functions.

(d) Carriers shall be fully liable for loss and damage to freight and may not limit their liability through deductible provisions. Existing collectively-made released value rates may be continued in effect, providing that the released value is adjusted at least once per year to reflect changes in the P.P.I. New released value rates may be established, providing that the released valuation is reasonably related to the value of the commodity, that shipper endorsement is required and not automatic, and providing that the carriers offer the option of shipping at a reasonably related full value rate.

(e) The making of a joint line rate shall not be deemed a per se violation of the antitrust laws. For example, participants in a joint route may agree upon divisions of revenue.

(f) A tariff or price list showing the complete list of services, rates and charges, including discounts, and rules as held out to the public by common carriers shall be maintained for public inspection at the carrier's offices and distributed to shippers upon request. Failure to maintain and disclose such price lists or to adhere thereto shall be prima facie evidence of discrimination.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

STATEMENT OF TIM TOOHEY, COUNSEL

Senator D'AMATO. We will have as our next witness Mr. John Downing, executive director of the Niagara Frontier Transportation Authority.

Mr. TOOHEY. Mr. Downing was unable to appear today. I am Tim Toohey, counsel to the Niagara Frontier Transportation Authority.

Senator D'AMATO. I do have a short statement for the record. I might add it is good to see you here inasmuch as the NFTA represents a wide variety of transit interests which were recognized and incorporated into the Surface Transportation Assistance Act of 1982.

The Niagara Frontier Transportation Authority is historically a bus property which has had real capital and operating assistance needs and will continue to do so in the future.

On the other hand, a light rail rapid transit system will soon commence operation in Buffalo. Buffalo therefore shares common interests with the new start cities such as Houston.

I recently had the opportunity to tour the light rail project and was tremendously impressed not only with the proposed transit system, but also with the private investment which this line has sparked along the transit corridor.

I will not take the time of the committee or its guests to rehash what was said on April 14, when Administrator Teele testified before this subcommittee. I know, Mr. Toohey, that you are well aware of the impact which OMB's transit budget proposals would have on mass transit nationwide.

On average, OMB has recommended a 69-percent reduction in operating assistance in fiscal year 1984 and its total elimination the following year. For Buffalo, the reduction is 82 percent in fiscal year 1984.

Fortunately, the Senate's budget resolution which was reported by the Budget Committee assumes no further reductions in operating assistance beyond those which were agreed to in the Surface Transportation Assistance Act.

OMB has similarly recommended 28 percent less in capital funding than that which was authorized in last year's mass transit legislation.

Mr. Toohey, it is gratifying that the NFTA has taken a leadership role not only in mass transit, but also in the areas of aviation and port development. The airports in Buffalo have experienced significant in-

creases in traffic and employ many people. The employment aspect is crucial in an area which has been devastated by our current economic situation in western New York.

I asked Administrator Helms at the FAA hearings on April 12 about his plans for both the flight service station consolidation in western New York as well as his proposal to shift some air traffic control operations from Buffalo. I am awaiting Mr. Helms' review of both of these issues. I certainly will share that important information with you and NFTA.

I look forward to hearing your testimony. As always, it is a pleasure to have the opportunity to work with public spirited people who are deeply committed to the interest of their region. I think you epitomize that. NFTA has come a long way.

Mr. TOOHEY. Thank you very much.

I am grateful to have the opportunity to testify before you and this honorable committee this morning.

I have submitted our prepared testimony. I would like to briefly summarize the key points in that testimony. Of course the purpose of my being here is to urge this committee to appropriate for Federal fiscal year 1984 at the full authorization level the funding for the Urban Mass Transportation Administration and for the Federal Aviation Administration.

Let me make a couple of points in support of this. Both of these funds rely heavily on user fees, as you know. The administration is proposing to appropriate an amount less than what is authorized, but will at the same time be collecting all the user fees authorized.

Moreover, both of the involved agency authorizations are at realistic levels. Currently after much analysis and much congressional debate, much give and take with the administration in 1982, the funding levels have been set at realistic levels that should not now be subject to change.

The user taxes are being levied and eliminating any reason in my view, any rational reason, against full appropriation.

Second, and these are local interests I would like to express, Senator, the economic shock waves of foreign competition and industrial obsolescence have had dramatic consequences for western New York and other parts of the New York State and our region. You are fully aware of those, Senator.

Buffalo, as a consequence of that impact, is literally bent under the weight of the worst unemployment in New York State and there have been times in the last 2 years when that unemployment has approached 20 percent of the work force in our region. That is grim news.

But there is good news and as I speak this morning the Federal investment in the future of Buffalo in partnership with New York State is exemplified in the $538 million light rail transit project and is already returning huge dividends to the city and people of Buffalo.

We need to build on this foundation. We need to build on this through the knowledge that a stable capital funding plan is in place for continued transportation growth, rapid transportation growth.

We need to see the rapid transit system in Buffalo expand to provide the continued stimulation of our economy, to provide incentive for private investment, economic development and through full funding of the 1982 authorization levels, I am hopeful and we are confident that we will be able to see the expansion of the light rail rapid transit line in Buffalo.

As important as a stable capital funding program is the continuation of Federal operating assistance and insuring of flexibility in the use of block grant moneys.

Therefore once again I strongly urge this committee to fully appropriate funding levels as authorized in the Surface Transportation Assistance Act of 1982.

It is equally important that this committee fully appropriate aviation funds as authorized in the Airport and Airways Improvements Act of 1982.

The Buffalo Airport represents one of the few bright spots in the economic viability of western New York and it is a growing airport with plans to expand and continue to contribute to the economy of our region. In order to support this growth, we must be able to finance the capital improvements that help our airport and continue as the cornerstone of such growth.

Airport projects have a tremendous impact in the economic sense that they spinoff effects to the community around them. Therefore, the airport and their funding are important to us in our efforts to help stabilize and revive the economy of western New York.

I also need to address, Senator, if I may take another moment, the FAA's actions to implement the national airways systems plan. The Buffalo Airport is the largest airport in New York State outside of New York City with an estimated 3½ million enplaning and deplaning passengers.

As befits its status, it has been the location of the FAA's flight service station for more than 30 years. One could reasonably assume that given these circumstances and the fact that Buffalo's unemployment rate is so high, that we could count on the Federal Government to provide us with all the help we need to retain jobs in Federal facilities in western New York.

However, the FAA has recently informed us that it is soliciting competitive proposals from all airports in our region for the location of its new automated flight service system. While we are proceeding in the development of a comprehensive proposal to retain the station at Buffalo International Airport, there is a very real possibility that a competing jurisdiction will get a station with an unrealistic offer or bid to the FAA.

We have no argument with the need to consolidate these facilities, but we propose that this committee consider requiring in some form or fashion that major hubs such as Buffalo be given first opportunity to negotiate agreements with facilities in accordance with past practices.

There is another FAA action which is troubling at this time. That is one whereby the FAA plans to consolidate some air traffic control functions in a regional control facility.

Again we expected that the FAA would like to locate a consolidated operation in the largest, busiest, and best equipped airport in the region, but we were wrong. The FAA has said that they will transfer 30 of 70 air traffic controllers now in Buffalo to another airport outside of the region.

The potential loss of these jobs due to flight service station consolidation and the loss of 30 controllers is unnecessary and counterproductive for our region.

While full appropriation is necessary in the FAA budget, I also want the committee to be aware that these FAA actions are inappropriate and they are inconsistent with local goals and with the stated goals of the administration and Congress in promoting economic recovery and achieving objectives, identifying areas where jobs are crucial and where it is important to view the Federal investment that is necessary.

I am sorry I went over, Senator.

Senator D'AMATO. No. The fact of the matter is that I found most interesting and important the observation that you made that the Buffalo airport, with 3½ million passengers annually, probably ranks as one of the leading airports nationwide.

The fact that the services that should be attendant to it in that region might be threatened by some so-called cost saving effort, which may in the longrun cost the area, cost the region and result in the FAA making expenditures far in excess of what are necessary because they are relying on a 1976 outmoded study as the GAO reports, raises some very real questions with this Senator and with the committee.

On the 12th of April we had Mr. Helms here and we raised certain questions with him with respect to how many pilots would utilize this new automated flight service system that we are talking about and there have been some very real questions about the technical acceptability of this system and how many people would utilize it and will there really in fact be cost savings.

The committee is very much interested in your language which says that you would recommend that at the very least facilities such as Buffalo's and others throughout the Nation be given the opportunity to negotiate for a reasonable price that would be charged to the FAA so that we don't have municipalities literally bidding against each other and have a disruption in communities as a result of what might be characterized by some as a cost saving effort when indeed the dollars involved would be minuscule and when indeed Buffalo or any of the other regions which would be faced with the potential loss of the employment and the services might be in a position to meet the dollar objectives in terms of cost savings that could result.

We certainly want cost savings, but we want them to be real cost savings. We want them to be effective, not counterproductive and illusory. Many times people say it will save money. I heard that when they were going to close the FAA facility at JFK in New York.

When we got down to the bottom line and looked at it, what we found out was that the relocation of personnel to the Massachusetts area, the office space, the move, et cetera, would have resulted in

higher costs and that the study which the FAA Administrator was proceeding on was flawed. A lot of things he is proceeding on are flawed, but I will leave that for another time.

Mr. Toohey, has a local consensus developed around the proposed extension of the light-rail system, and I am talking particularly about the Tonawanda turnout? What will the impact on the area be, on the light-rail project, if extensions of the light-rail system are not started in the next couple of years?

I give you two questions. Has there been local consensus on the Tonawanda turnout?

Mr. TOOHEY. There is a healthy debate raging locally on the question of extension of the light-rail system. I emphasize healthy because right now it is a useful exercise in terms of the timing of extensions.

At some point we hope shortly that debate will end and there will be 100 percent local consensus behind the extension of the light-rail system through one of the sections in the northern corridor that we are, with your help, trying hard to get UMTA approval to study in a refinement study so that we can get the results of that study and share them with the community, have public hearings and establish where the best avenue to go is in terms of further extension.

So, a local consensus is there. It needs to be formulated behind a certain approach. Right now the timing is such that as soon as UMTA allows us to conduct a refinement study I am confident that the results of that study will get almost complete community support.

In terms of the need to construct extensions of the light-rail system now, as you know, there are other transit properties around the country that are competing for dollars, whether you call them new starts or maturations of plans of existing transit lines.

I can't stress enough the need for the NFTA to have everything done in terms of its ability to continue the construction of its transit line now.

There is a team in place of competent experienced professionals that know how to build a subway system and have been together for 6 or 7 years in building the first part of our subway line.

I think that alone, along with the fact that capital costs can hardly be expected to go down in the next few years, compels us to try very, very hard to get full funding, Federal and State, through the existing Federal and State partnership of continued extensions of the transit line in Buffalo.

Senator D'AMATO. There has been very significant investment of private capital in downtown Buffalo of approximately $200 million.

Do you believe that the light-rail system has had an influence in that development?

Mr. TOOHEY. No question about that, Senator. It is the linchpin, indeed the cornerstone, of the revitalizaton in downtown Buffalo.

When you were in Buffalo in February I am sure you observed the situation in downtown Buffalo where indeed I think you will agree the transit line is the principal activity in downtown Buffalo in terms of when you talk about the future of the city of Buffalo.

So, there is no question in terms of spurring economic development, we have two hotels planned, a transit mall that is getting Federal and State funding, a $42 million project that will provide the basis for continued revitalization of downtown Buffalo.

Senator D'AMATO. With respect to your observation on FAA, I share some of your concerns. Particularly I note that NFTA has made very substantial investments in order to accommodate the FAA operations.

Could you tell us some of the improvements that have been provided for the FAA and what would happen to these facilities if they are vacated by the FAA?

Mr. TOOHEY. There is a building of approximately 10,000 square feet that was designed to FAA's specifications. The space in the control tower will be vacated by the FAA departure and I think more importantly, or as importantly, Senator, there is a psychological damage factor involved, if you will.

To move these facilities from Buffalo at a time when our economy is suffering, at a time when the community is coalescing around the need to work together is a Federal action that virtually violates Federal policy in terms of the importance of focusing on communities that need Federal assistance.

So there is a loss in terms of a building here and a job there and there is a serious psychological blow to the community.

Could I thank you, Senator, for the efforts you have expended on behalf of the NFTA, indeed on behalf of the people of New York State in the transit and aviation fields since you have been in office.

You have been in the forefront with your dynamic efforts to improve our situation in Buffalo and indeed around the State. I know from the American Public Transit Association and other transit associations you are in the forefront of the national leadership on this point.

Senator D'AMATO. Thank you very much for your particiption today. We will insert Mr. Downing's statement in the record.

Mr. TOOHEY. Thank you, Senator.

[The statement of Mr. Downing follows:]

STATEMENT OF JOHN F. DOWNING, EXECUTIVE DIRECTOR, NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Good morning. My name is John F. Downing and I'm the Executive Director of the Niagara Frontier Transportation Authority, serving the cities of Buffalo and Niagara Falls and the counties of Erie and Niagara, New York.

Charged with the development and implementation of air, water and surface transportation strategies for a metropolitan area of more than a million and a half people, the NFTA keeps a close eye on the economic condition for the Western New York area.

I'm sure you don't have to be told how bleak that outlook is at the present time.

We've been told that the national economy is in "transition" making the switch from an industrial economy predicated on production to a communications economy based on information and service.

What that means to Buffalonians is that the steel plants and auto factories that have provided them - and their parents before them with jobs are closing down.

The shock waves of the impact of foreign competition, declining productivity and industrial obsolescence have had dramatic consequences for Western New York.

Statistics will show that Buffalo is bent under the weight of the worst unemployment in New York State and that 85,000 men and women on the Niagara Frontier need jobs.

In human terms, that translates into 8,000 people standing in freezing weather for hours last week just to be included in a lottery for 200 public jobs created by the recently enacted jobs bill and another 10,000 showed up to apply for 150 jobs at a Buffalo brass works.

But I don't want you to think I came here this morning to recite a long litany of economic woes. I didn't.

I came here, instead, to give you some good news - good news that you and your congressional colleagues can all share in.

For as I speak this morning, your investment in the future of Buffalo, as exemplified in the 538 million dollar light rail rapid transit project, is already returning huge dividends to the city and people of Buffalo.

And while the civic pride and renewed optimism that pervades the area is important, my definition of "dividends" is not confined to abstractions.

The rapid transit project has served as the catalyst for investor confidence that has resulted in the construction of two new banks with office complexes.

A major hotel and retail center is under construction.

Plans are forging ahead for a dynamic, fully appointed transit mall that will serve as a magnet for shoppers, tourists and travellers.

These are benefits that can be measured in dollars and cents . . . in bricks and mortars . . . in jobs and new investment.

Since the rapid transit project began, more than 1,000 construction workers have been taken off unemployment rolls and returned to payrolls.

Before the project is completed, you will have directly created more than 20,000 man-years of work and this half a billion dollar investment will have generated a spinoff benefit to the Buffalo community of more than two billion dollars.

You will have been responsible for attracting more than 200 million dollars in private investment and that's before the first vehicle rolls down Main Street or the first passenger pays a fare.

Anticipated benefits such as increased property values, new residential and commercial development and station-related development all loom large on the immediate horizon.

Buffalo's future - without the transit project, the private investment and citizen confidence it has generated - would be just too bleak to contemplate.

In a very real sense, you have given us the tools and we have laid a solid foundation for future growth.

And if the 6.4 miles now under construction and nearing completion is the foundation, the cornerstone of the growth we visualize will be the extensions of rapid transit into the suburban areas with their high population densities.

Armed with the experience of our first venture into transit construction, we embarked on a course of prudent planning to analyze available transit alternatives.

Temporarily delayed by UMTA's prohibition of studies involving

rail, we are now optimistic that our refinement study can proceed toward its goal of identifying the most cost-effective transit corridor where transit investments can pay dividends.

The extension of the system is a vital link in the transportation network that is being woven through our service area.

If we are to strengthen the relationship between business and transit, we must once again rely on your commitment and of your colleagues to provide us with the means to help us help ourselves.

It is imperative that this subcommittee remain receptive to future transit proposals that can prove their worthiness, stimulate private investment and are cost effective. We are confident that if you afford us that opportunity, we can make a strong case which will warrant your continued support.

Fortunately, the NFT Metro Bus System is a continuing source of pride not only to the authority but to the entire region.

According to the findings of the 1982 Expense Recovery Ratios Report of the American Public Transit Association, NFT Metro ranks second among 15 major transit properties in terms of operating efficiency. Just as important, the same survey found that Metro was the third lowest in terms of general administrative expense.

Our status as one of the nation's most efficient transit properties indicates that we are willing to undertake management initiatives to effect economies and make our system even more cost effective.

In recent years, we've revised our insurance portfolio, expanded our coverage and reduced our annual premium costs.

We've increased productivity through the collective bargaining process and reduced paid sick leave by more than 50,000 dollars this past quarter alone.

Our fleet maintenance program is national model which has meritted national awards three consecutive years.

So in our partnership with federal and state governments it should be apparent that we are doing our part to serve your constituents and warrant your trust and continued support.

Intergovernmental cooperation with transit providers was forged

out of the recognition that there's a lot more than people riding on public transit.

Spinoff benefits, including a cleaner environment, energy conservation, essential mobility of the elderly and handicapped and economic development are inextricably linked to efficient public transit.

Even though we stand to gain big dividends from public transit, its future is cast into considerable doubt by the frequently stated proposal to phase out the federal government's role in transit operating assistance.

The Surface Transportation Act of 1982 was landmark legislation for mass transit in the United States.

It marked the first time that transit providers could count on a dedicated source of transit funds through the establishment of a Mass Transit Account within the Highway Trust Fund.

The elation was shortlived however, when the President announced his budget proposals which would have circumvented congressional intent and denied the use of those funds for transit.

Funding for transit at authorized levels is essential to the efficient operation of our system.

Previous administrations invested heavily in mass transit in Buffalo and the return on that investment has provided the city with renewed vitality and hope for its future.

No one has been disappointed.

The private sector has responded. The financial community has responded. The labor unions have responded.

It's too simplistic to think that "local government can have all the transit it can afford". The loss of operating assistance could only be made up by the implementation of policies that promise to impact far beyond the farebox. Our region's future hangs in the balance, we can't over emphasize the critical importance of the federal role in the transit partnership.

In addition to mass transit, the Authority which I represent operates the Greater Buffalo International Airport. In recent years, this facility has undergone a major ten million dollar expansion, part of an ambitious three-phase, 15 year master plan program for

dramatic expansion and renovation in order to meet the demands brought primarily by federal deregulation.

Greater Buffalo is the largest, best equipped and busiest airport in the region with an estimated 3 1/2 million enplaning and deplaning passengers and 150,000 tower movement annually.

As befits its status, Greater Buffalo has been the location of the Federal Aviation Administration's Flight Service Station for more than 30 years. This facility provides general aviation pilots with essential flight information, up-to-the-minute weather data, traffic flow, and flight plan service.

We could reasonably assume that given those circumstances and the fact of Buffalo's unemployment rate that we could count on the federal government to provide us with all the help we need to retain the jobs we now have.

However, the FAA has recently informed us that it is soliciting competitive proposals from all airports in our region for the locations of its new automated flight service station. This solicitation casts deepening doubt over the NFTA's ability to retain the station and the jobs attendant thereto.

Currently, there are 40 employees at the station with an annual payroll of nearly one million dollars. Translated into total economic impact on the community, that means about two and a half million dollars annually.

While we are proceeding in the development of a comprehensive proposal to retain the station at Buffalo International, there is a very real possibility that a competing jurisdiction may get the station with an unrealistic bid.

We have no argument with FAA's need to consolidate. We propose, however, that major hubs such as Buffalo be given first opportunity to negotiate an agreement for these facilities in accordance with past practice.

At a time when the Buffalo area is locked in nothing less than a life and death struggle to maintain its economic vitality, the loss of one job would be bad.

The loss of 40 would be crippling. Unfortunately, shortly after the announcement regarding the flight service station, the

FAA announced yet another plan to save money.

This one would consolidate some air traffic control functions in a regional control facility.

Again, we expected that the FAA would like to locate a consolidated operation in the largest, busiest and the best equipped airport in the region, right? Wrong.

The FAA said they would transfer 30 of the 70 air traffic controllers now at Greater Buffalo to Rochester, N.Y. airport in the consolidation plan.

Now the potential loss of 40 jobs due to Flight Service Station Consolidation is compounded by the loss of 30 jobs over which we have no control at all.

Our congressional delegation is now attempting to reverse these decisions but they will need your help. We hope that you will consider the economic impact of such rulings in their full context, rather than in the limited sense of short term benefits.

In summary, then, the good news in Buffalo is your continued support and awareness.

You have given us the ability to move forward with a transit project that is tripping new investment, new confidence and new development.

You have done a lot for us, for our Authority, and for our community.

Your commitment to Buffalo has demonstrated your continuing support of programs that help us help ourselves, and in a very real sense will allow us to rebuild.

We in turn are doing everything we can to improve efficiency and we've been successful in achieving those goals as demonstrated by our national ranking.

However, we can't complete the job we've started without dedicated federal funds. As one of the few growth industries on the Niagara Frontier, we have a mandated responsibility. We have talented, dedicated people who are equal to that task and we can meet our responsibility but only with your continuing support.

Thank you very much for the opportunity to speak to you today and for the help you've given transportation over the years.

MAINE DEPARTMENT OF PUBLIC SAFETY

STATEMENT OF ALBERT L. GODFREY, SR., OFFICIAL HIGHWAY SAFETY REPRESENTATIVE

Senator D'AMATO. Our next witness is Mr. Albert Godfrey, highway safety representative, Department of Public Safety, Maine, a beautiful State.

Mr. GODFREY. Thank you.

As well as being the Governor's representative for highway safety, I also serve at the present time as Secretary of the National Association of Governor's Highway Safety Representatives.

I thank you for the opportunity to offer my thoughts and ideas on the need to continue Federal funding of highway safety programs.

The State of Maine, a minimum apportionment State, has had a history of successful highway safety programs since the Federal Highway Safety Act of 1966. Only through the Federal funding mechanism have we been able to carry out these programs.

Highway safety efforts at the State level commenced in 1957 under then Gov. Edmund S. Muskie who appointed the first Maine Highway Safety Committee, a task force of 25 citizens with an expressed interest in reducing the carnage on Maine's highways.

For 10 years this task force worked with highway officials pleading for funding to develop highway safety programs. With the enactment of the first Federal Highway Safety Act in 1966 came the ability for the State of Maine to develop programs in a systematic manner.

As a result, we have been able to turn down the upward spiral of deaths that rapidly escalated throughout the fifties and sixties. When extrapolating the upward curve of the fifties and sixties it was predicted that in 1982 there would be 404 deaths on Maine's highways.

We in fact had 166 deaths in 1982 which represents a reduction of 59 percent from that predicted. The number also represents the 19th lowest number of deaths recorded since we started keeping records in 1928. The death rate of 2.23 deaths per 100 million vehicle miles of travel represents the lowest rate in the 55-year history of recordkeeping.

During the past 16 years of Federal highway safety funding the State of Maine has received approximately $9.1 million from the Federal Government for its programs. During the same timeframe the actual deaths, injuries, and property damage reduction from the amount that we had predicted translates into a $14 million reduction at current day estimated costs. As you can see, this has been an effective cost/benefit program.

Federal funding over the years has enabled us to develop many very effective ideas such as improvements in the Maine district court system, judicial education,the uniform traffic ticket, a comprehensive traffic records system, an effective semiannual motor vehicle inspection program, a computerized driver licensing and registration program, motorcycle safety program, pedestrian/bicyclist safety programs, school bus transportation safety programs, alcohol countermeasures, selective enforcement programs in police traffic services, occupant restraint

programs, development of a statewide emergency medical services system, and elimination of high accident locations through development of effective safety and operational improvements, to name a few.

Federal funding increased each year from fiscal year 1967 through fiscal year 1981 to a point where in the final year of the Carter administration the State of Maine received approximately $1.2 million.

In the first year of the Reagan administration this amount dropped to $355,000, severely crippling long-range safety plans.

The States have accepted a great deal more responsibility for these programs, however, are also faced with rapidly escalating expenses coupled with decreasing income.

Governor Joseph E. Brennan of the State of Maine has been a powerful voice for highway safety in the Northeast and through his leadership has gained much support from our legislature for our programs including our tough drunk driving law and much needed funding from the State coffers to try to offset the Federal cutbacks.

The bottom line, however, is that our State as in most other States is fiscally unable to accept all of the responsibility. We believe if the Congress could restore funding to the $112.5 million level for highway safety programs, we could continue our effective programs.

The minimum apportionment States like ourselves would then be receiving approximately $500,000 per year which matched with $500,000 from the State would translate into programs as effective as at the maximum Federal funding level of the past.

We sincerely hope your committee will consider this plea for help to assist us in reducing the carnage on our highways.

Senator D'AMATO. Let me thank you for your presentation. It was very, very thoughtful. I certainly think it is an area that we should examine with utmost care in an attempt to move in that direction of encouraging State and Federal participation, also recognizing that a few more dollars may make this program much, much more effective and I really think it follows very closely to Secretary Dole's pronouncement and also administration pronouncements in attempting to deal with this national tragedy.

Mr. GODFREY. I certainly think this is what we have to do. The cutback was too much. I think the pendulum needs to swing back the other way somewhat so that we can carry on this fight.

Senator D'AMATO. Thank you for being with us.

Mr. GODFREY. I thank you.

Senator D'AMATO. Mr. John Womack.

CENTRAL AND SOUTHERN MOTOR FREIGHT TARIFF ASSOCIATION, INC.

STATEMENT OF JOHN WOMACK, MANAGING DIRECTOR

Mr. WOMACK. Thank you very much, Senator and Mr. Chairman.

I do appreciate the opportunity to speak with you. My own area of expertise in transportation is freight rates for motor carriers under the ICC Act that has to do with reasonableness of rates.

I am here because the Association has asked me to come and represent them. We have shippers, railroad lawyers, motor carrier lawyers, pipeline lawyers, members of city and State governments who are part of our group. We come to express substantial concern to the committee about the erosion of the Commission's budget.

We observe that the Commission's role has been modified by Congress through some recent legislation. The RRRR Act, the Motor Carrier Act of 1980, and Staggers Act which suggests the Commission might rely a bit more on competitive involvement.

I would like to highlight that those changes did not change our transportation policy. That policy was initially expressed in 1940, written in as part of the law in its recent codification in 49 U.S.C. 10101.

It is the policy of the Government of this country to insure the development, coordination, and preservation of a transportation system that meets the transportation needs of the United States, its Postal Service, and its national defense.

I also highlight the specific provisions, that the policy is to promote safe and adequate, economical and efficient transportation, to encourage sound economic conditions in transportation, including sound economic conditions among carriers, to encourge the establishment and maintenance of reasonable rates for transportation without unreasonable discrimination or unfair or destructive competitive practices.

Now, those elements of the law were retained and we are quite concerned that there has been a 46-percent reduction in the budget of the ICC since 1979, but we are particularly concerned as we head into fiscal year 1984.

The Commission had 1,549 people in fiscal year 1982. The budget as it was submitted in the President's budget for fiscal year 1984 calls for 1,100 people. We believe this budget has been submitted backward.

Chairman Taylor of the Commission appeared before the House Transportation Subcommittee of the House Committee on Appropriations on February 24 and also before this committee on March 15. He said that that budget was going to be short about 100 people unless there were some changes in the regulatory burden of the Commission.

He expressed the view that they would be 100 people short unless Congress saw to it that the Commission was given a broad exemption authority for motor carriers of freight and to change the test for motor carrier licensing for fitness only.

This is a kind of backward proposition. We see the budget of the Commission coming up 100 people short and no money, but we don't see any legislation to give effect to the expression by the chairman that he can't carry out the statutory mandates of Congress without these additional people.

We would like to urge that the Appropriations Committee ask the Commission for specifics on how to accommodate the additional 100 people. We believe the budget should have been presented on the basis of the requirements in the way the law currently reads.

If the law were to modify the Commission's burden, then the Commission would not have to spend all that was authorized for them to spend.

We express our substantial concern and hope that this committee can generate the additional information required in order to restore the personnel to the level the chairman said he would have to have.

I would like to request, if I might, the privilege of submitting at a later date an article that is going to be in our journal that reflects how the Commission's budget is established. It is now in the hands of the printer. We will have some copies of that article which we would like to submit to you at a later time.

Senator D'AMATO. We will keep the record open for the purpose of your submission and have that included in the record.

Mr. WOMACK. Thank you very much.

Senator D'AMATO. In addition, I am sure you know of Chairman Andrews deep concern in this area.

Certainly if there is need to amend the law so that we can bring it in conformance with the stated purposes, why we should certainly take that up.

Mr. WOMACK. I might ask, sir—I am not very thoroughly familiar with the legislative process—is it possible we are going to get into a catch-22 situation here where the Commerce Committee will be hearing there is not enough money and therefore the Appropriations Committee has already decided what the Commerce Committee ought to be deciding what the Commission ought to do?

Is that kind of backward?

Senator D'AMATO. I might carry that message to them. You have a pretty good handle on exactly what might take place here.

Mr. WOMACK. We don't wish to comment on Chairman Taylor's recommendation. That is for the Senate Commerce Committee.

We think there ought to be money down there until such time as the law is changed.

Senator D'AMATO. Thank you very much for coming.

[The statement of Mr. Womack follows:]

STATEMENT OF JOHN WOMACK

My name is John Womack. I am the Managing Director of Central and Southern Motor Freight Tariff Association, Incorporated, Agent, 2722 Crittenden Drive, P. O. Box 37110, Louisville, KY, 40233. My organization operates as a freight rate bureau for motor common carriers as authorized in 49 USC 10706(b)(2). However, my appearance before this Committee is on behalf of and represents the views of the Association of Interstate Commerce Commission Practitioners. For the past several several years, I have served as the Chairman of its Committee on the Budget of the Interstate Commerce Commission.

Let me express, at the outset, my thanks to this Committee for allowing me to appear before it and to express these views.

The organization I represent today, the Association of Interstate Commerce Commission Practitioners (AICCP), is the Commission's bar. It is a national organization composed of hundreds of persons skilled in the Interstate Commerce Act and the regulatory policy of the Commission designated to enforce the provisions of that Act.

We express our concern to the Transportation Subcommittee about the erosion of the budget for the Commission.

As the Senators well know, the Interstate Commerce Commission is the oldest of the independent regulatory agencies that were created as an arm of Congress to specifically enforce legislation designed to regulate particular industries in this country. In relatively recent times, the Congress has modified the policies which it wishes the Interstate Commerce Commission to observe as it enforces the Interstate Commerce Act. These are popularly known as the 4R Act, in 1976, and the Staggers Act and the Motor Carrier Act of 1980, both passed in 1980. These changes in policy express the view that the Commission should enforce the Interstate Commerce Act with greater reliance on competitive forces. These changes in policies, however, have not changed the basic provisions of the Interstate Commerce Act. These recent legislative provisions made no modification, at all, in the direction that the Interstate Commerce Act be administered and enforced to carry out the policies expressed in 49 USC 10101. I would like to highlight that our transportation policy is to insure the development, coordination, and preservation of a transportation system that meets the transportation needs of the United States, its Postal Service and

its national defense. I also highlights its provisions, ". . . (2) to promote safe, adequate, economical and efficient transportation; (3) to encourage sound economic conditions in transportation, including sound economic conditions among carriers; (4) to encourage the establishment and maintenance of reasonable rates for transportation without unreasonable discrimination or unfair or destructive competitive practices; . . .".

The AICCP is quite concerned that there has been a 46% reduction in the budget of the ICC. Particularly, Fiscal Year 1984 contemplates only 70% of the personnel relied upon in Fiscal Year 1982. Therein lies the principal concern we wish to express to the Senate through this Subcommittee.

When the President's FY84 budget was presented, that portion of it dealing with the Interstate Commerce Commission contemplated only 1100 people. In FY82, the Commission had 1549 people. The Commission, itself, indicates that the 1100 persons specified in the President's budget for FY84 is inadequate for the current statutory needs.

The AICCP believes the President's FY84 budget has been presented from the wrong point of view. It is backwards. In the summary and highlight statement of the "Budget Estimates - 1984" of the ICC, the Commission asserts that the budget is prepared with an omission of approximately 100 people that would be required to fulfill the statutory responsibilities with which the Commission is currently charged. I attach a portion of the summary and highlights statement in which there is an expression that the budget, as submitted, would be appropriate only if the Commission were granted broad exemption authority for motor carriers of freight, that a "fitness only" test for motor carrier licensing be established and that there be certain combining of emergency and temporary authority application licensing processes. Chairman Taylor appeared before the Transportation Subcommittee of the House Committee on Appropriations on February 24th and before this Committee on March 15th and he declared, at that time, that the budget would be below adequate staffing if the regulatory requirements for the Commission were not changed.

The AICCP firmly believes that the budget should have been presented on the basis of the personnel needed to fulfill the statutory responsibilities prevailing in the present law. The AICCP does not

make an expression to this Committee about the propriety of the legislative changes contemplated in its budgetary submittal. Changes in substantive provisions of the Interstate Commerce Act should be considered on their own merit and through normal legislative processes - not the budgetary processes.

The AICCP also is concerned that the budget, as submitted, does not give all of the detail for the 1200 full-time personnel which the Commission believes it should have to fulfill the current statutory responsibilities. Therefore, the Senate is left to seek further advice in order to establish budgetary provisions required to give effect to the personnel required to do the job. The AICCP urges, as a minimum, that, if the Appropriations Committee does not currently have available to it the detail required to retain Commission personnel at the recommended level of 1200 people for FY84, that it seek that detail from the ICC and that it cause the Budget of the ICC to authorize the recommended employee level.

There is some concern on the part of AICCP that the employment level as recommended are still less than what is required for effective and efficient response by the ICC to its statutory burdens. The AICCP recognizes that we are in times of economic distress as of this hearing. However, the reductions in budgetary authorizations of 46%, from FY79 to FY84 (as noted in the same extraction from the Commission's budget estimates), has certainly been most substantial. Reductions of that magnitude can certainly raise implications that bureaucratic fat, if there be any, was extracted long ago.

I attach the extractions to which I have already referred and a table, from that same "Budget Estimates - 1984", that show, by department within the Commission, the reduction in Staff personnel for FY82, FY83 and FY84.

We sincerely hope that the Senate will respect the expressions of the Interstate Commerce Commission concerning its recommendation for 1200 full-time staffers. The reduction in staff levels to 1100 should be undertaken only AFTER Congress has further modified the statutory responsibilities for the Interstate Commerce Commission under the Interstate Commerce Act.

I repeat my thanks to the Committee for the time given for me to represent the AICCP before it in these matters.

SUMMARY AND HIGHLIGHT STATEMENT

The Interstate Commerce Commission is an independent agency created by Congress to regulate interstate surface transportation for the benefit of the public.

The President's FY 1984 budget request for the Commission totals $58,038,000 and provides for 1,100 full-time permanent staff-years. This is a decrease of $7,562,000 and 282 staff-years from the FY 1983 appropriation and staff-year ceiling.

The FY 1984 budget reflects a decrease in Commission employment of 46 percent since 1979, just before Congress enacted major regulatory reform legislation affecting the rail, motor carrier and household goods industries. This legislation in 1980 and the Bus Regulatory Reform Act of 1982 had an immediate impact on many of our functions and gave the Commission limited authority to pursue administratively further regulatory reform in certain areas. In developing the FY 1984 budget estimates, the Commission felt that it was rapidly approaching the point where the 1980 legislation was fully implemented and there was little more that could be done administratively (other than proposing additional legislative changes) to further reduce its involvement in the regulatory process. In terms of Commission employment, this was a level somewhere in the vicinity of 1,200 full-time staff-years.

Therefore, the FY 1984 full-time staff level of 1,100 is premised on additional legislation being enacted to further deregulate the motor carrier industry. While the Commission intends to wholeheartedly support more extensive regulatory reform, the budget assumes that at least the following minimal reforms would be enacted:

- granting the Commission broad exemption authority for motor carriers of freight;
- providing a "fitness only" test for motor carrier licensing; and
- combining the Emergency Temporary and Temporary Authority licensing processes under a single application.

Should the legislative proposals listed above not be enacted, a majority of the Commission believes that it would require resources higher than those requested in the President's budget.1/

1/ Vice Chairman Sterrett and Commissioner Andre believe that the proposed 1,100 staffing level is reasonable to meet the Commission's present statutory responsibilities.

INTERSTATE COMMERCE COMMISSION

STAFF-YEARS AND BUDGET AUTHORITY
BY BUREAU AND OFFICE
(dollars in thousands)

	FY 1982		FY 1983		Increase/(Decrease)		FY 1984	
	Staff-Years	Budget Authority	Staff-Years	Budget Authority	Staff-Years	Budget Authority	Staff-Years	Budget Authority
Commissioners and their Offices	73	$ 3,200	88	$ 4,392	(1)	$ 499	87	$ 4,891
Secretary	76	3,105	69	2,515	15	624	84	3,139
General Counsel	33	1,605	35	1,834	(1)	126	34	1,960
Proceedings	314	12,443	265	11,728	(81)	(2,507)	184	9,221
Hearings	21	1,389	17	1,076	(5)	(216)	12	860
Special Counsel	10	512	8	456	-	59	8	515
Office of Transportation Analysis	52	2,767	45	2,796	(2)	131	43	2,927
Accounts	170	8,250	151	7,879	(24)	(466)	127	7,413
Traffic	118	4,008	118	4,380	(15)	62	103	4,442
Office of Compliance and Consumer Assistance	498	21,036	438	20,660	(138)	(4,795)	300	15,865
Office of the Managing Director	184	9,148	148	7,884	(30)	(1,079)	118	6,805
Commission Totals	1,549	$67,463	1,382	$65,600	(282)	$(7,562)	1,100	$58,038

THE COMMISSION'S BUDGET:
An Insight Into Expectations

By the AICCP Committee on Budget of the ICC

Fellow practitioners, the AICCP Committee on Budget of the Interstate Commerce Commission has found that there are glimmerings of the Commission's future policies that show through in looking at its budget. After all, its announcement of what and how much it expects to spend demonstrates what it expects to do. By and large, it looks like it expects to do less in the future because it expects to spend less.

Our Committee Member Boikess, one of the Committee's legal scholars, has researched the laws that govern the Commission as it prepares its budget. In addition, she delineates who, and under what conditions, particular groups or individuals may attempt to influence either the Commission concerning its preparation or the Congress in its authorizations.

Our Committee Member Erenberg, the Committee's only "inside observer," as he was holder of a number of management positions within the Office of Proceedings, describes the step-by-step process that actually takes place in the formulation of the budget. What is ultimately proposed reflects the end product of the ebb and flow of internal pushings and pullings that he describes.

Our Committee Members Buck and Womack, long-time "observers of relators-to and workers-with" the end product of these procedures, submit highlights of the Budget for 1984 and implications that can be seen therein.

Most of the Committee were able to meet with the Commission's Managing Director William R. Johnson and Budget and Fiscal Office Chief Mary G. Hogya on October 27, 1982. They were very helpful in giving the Committee an excellent overview of the procedures and the problems faced by the Commission when it considers its dollars. To illustrate, the Committee spent several minutes of contemplation in order to fully comprehend the fact that the Commission must stay within the authorizations of the budget relating to current operations, for FY 1983 which began on October 1, 1982, defend the propriety and needs before the Congress for the budget it had submitted for FY 1984, which will begin on October 1, 1983, and develop a budget for submittal to OMB and Congress this fall to be incorporated into the entire federal budget for FY 1985, as submitted to Congress by OMB on January 20, 1984.

The Committee expresses its thanks to them for their explanations and assistance, which were so helpful in developing our paper for the Membership.

Reprinted from **ICC Practitioners' Journal**, May-June 1983 issue.

SECTION I

Laws Governing the Formulation of the Budget of the ICC

Procedures governing the Interstate Commerce Commission's budgetary process are spelled out in the Budget and Accounting Act of 1921, 31 U.S.C. 11 *et seq.*, and the Executive Orders implementing the statute.[1] These provisions describe the responsibilities of the President and the Office of Management and Budget (OMB) in preparing and submitting budgets to Congress for government departments and agencies.

The Railroad Revitalization and Regulatory Reform Act of 1976, 4-R Act, added special statutory procedures to 31 U.S.C. 11 for the submission of budgetary materials by the Interstate Commerce Commission.[2] Whenever the agency submits budget information to the OMB or the President, it must also submit this information directly to Congress. These dual submission procedures were designed to safeguard the independence of the agency and to promote the free flow of information between the ICC and Congress.

Both the House and Senate passed bills providing for direct submission of budget requests to Congress.[3] The Report of the Senate Committee on Commerce on S. 2718 tells why Congress enacted these special procedures for ICC submissions. The agency's budget was subject to OMB review and OMB submission of appropriation requests. But Congress wished the agency to be "concurrently responsible" to Congress and the President to "insure the independence of the Commission from executive

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[1] Other statutes detailing the process include 31 U.S.C. 581 et seq. (appropriations); 31 U.S.C. 1151 et seq. (budgetary data and information); 31 U.S.C. 1301 et seq. (congressional procedures and timetable).

[2] Section 311 of the 4-R Act amended 31 U.S.C. 11 as follows:

> (j) Whenever the Interstate Commerce Commission submits any budget estimate or request, other budget information (including manpower needs), legislative recommendations, prepared testimony for congressional hearings, or comments on legislation, to the President or to the Office of Management and Budget, it shall concurrently transmit a copy of such estimate or request to the Congress. No officer or agency of the United States shall have any authority to prohibit, impose conditions on, or in any way impair the free communication by such Commission with the Congress, its committees, or any of the Members of the Congress with respect to any budget estimate or request of the Commission.

[3] Congress adopted a combined version with the broadest scope. Dual submissions include supplemental budget requests, other budget information, legislative recommendations, prepared testimony for congressional hearings, and comments on legislation. Conference Report on S. 2718, Rail Services Act of 1975, Cong. Rec., H. 218, H. 265, Jan. 23, 1976.

control."[4] Federal officials at the OMB or elsewhere in the administration are forbidden to interfere with the ICC's direct communication with Congress.

Congress' evident concern to receive full and complete information about the ICC's budgetary needs raises the question of whether there are restrictions on the participation of ICC Practitioners or other interested groups in the ICC budgetary process at Congress.

Lobbying of Congress is regulated general., by 2 U.S.C. 261 *et seq.* which provides for registration of lobbyists and recordkeeping of information about contributions received or used for purposes of influencing the passage or defeat of legislation by Congress. This statute does not otherwise restrict lobbying on budgetary matters.

However, another statute, 18 U.S.C. 1913, does contain additional restrictions on use of monies to lobby Congress about legislation. Section 1913 provides that no monies appropriated by Congress may be used to influence congressional legislation. Violations by federal officials can result in a criminal penalty and job loss. But there is a specific exception so that

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[4] The pertinent discussion follows:

Finally, in order to insure the independence of the Commission from executive control, measures are taken in this bill to make the ICC concurrently responsible to Congress and the President for all matters required of the Commission by the President.

The Budget and Accounting Act of 1921 was enacted to provide for a national budget system and created a Bureau of the Budget within the Department of the Treasury. The Bureau was given certain authority over the national budget and the budget of each "department and establishment" subject to the Act's provisions. In response to the passage of this Act, the Interstate Commerce Commission began submitting its appropriations requests through the Bureau.

There was, however, some ambiguity in the scope of the 1921 Act and it was not until the enactment of the Reorganization Act of 1939 that the independent Regulatory Commissions were specifically included within the Bureau and Accounting Act. A number of the regulatory agencies had taken the position that they did not come within the budgetary control of the 1921 Act, and the 1939 amendment redefined "department and establishment" to expresly include these agencies.

The Interstate Commerce Commission's budget is currently subject to review by the Office of Management and Budget and the Commission is fully subject to the provisions of the Budget and Accounting Act (31 U.S.C. Et. Seq.). This legislation would amend that Act to provide for the concurrent submission of ICC budget requests to the Congress, whenever such a request is submitted to the President.

Rail Services Act of 1975, Report of the Senate Committee on Commerce on S. 2718, S. Rep. No. 94-499 (Nov. 26, 1975), pp. 16-17.

federal officials can communicate with members of Congress if asked to do so.[5]

Recently, litigation under section 1913 has involved activities of recipients of grant-in-aid funds such as legal services agencies and of a federal employee union.[6] Since the Association of ICC Practitioners does not receive federally appropriated funds, these prohibitions would not affect its activities. The objectives of section 311 of the 4-R Act, together with the exemption in section 1913, would appear to permit ICC officials to supply information and to work with interested practitioners who wish to keep Congress informed about agency budgetary needs (particularly since the ICC officials would be supplying and discussing budget requests already decided upon by the agency and submitted to Congress).[7]

SECTION II

Practical Steps in Preparing a Budget

On June 7, 1982, Managing Director William R. Johnson circulated a memorandum to Bureau and Office Directors at the ICC. The memorandum trumpeted the commencement of the Fiscal Year 1984 Budget Process.

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[5] Text of section 1913 follows:

No part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress, *be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a Member of Congress, to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress, whether before or after the introduction of any bill or resolution proposing such legislation or appropriation;* but this shall not prevent officers or employees of the United States or of its departments or agencies from communicating to Members of Congress on the request of any Member or to Congress, through the proper official channels, requests for legislation or appropriations which they deem necessary for the efficient conduct of the public business.

Whoever, being an officer or employee of the United States or of any department or agency thereof, violates or attempts to violate this section, shall be fined not more than $500 or imprisoned not more than one year, or both; and after notice and hearing by the superior officer vested with the power of removing him, shall be removed from office or employment. (Emphasis supplied.)

[6] See, e.g., National Treasury Employees' Union v. Campbell, 482 F. Supp. 1122 (D.C.D.C. 1980), affirmed, 654 F.2d 784 (D.C. Cir. 1981); Grassley v. Legal Services Corporation, 535 F. Supp. 818 (S.D. Iowa 1982). The cases concerned whether the statute implied a private right of action permitting congressmen to enjoin activities of the legal service organizations or whether the United States Office of Personnel Management could enjoin union activities.

[7] This cooperation would also be consistent with federal information disclosure policies reflected in the Freedom of Information Act, 5 U.S.C. 552, and the Government in the Sunshine Act, 5 U.S.C. 552b. For example, Congress declined to exempt agency budget discussions from Sunshine Act requirements. James T. O'Reilly, Federal Information Disclosure, Shepard's/McGraw-Hill, 1979, Section 23.07, p. 23. (Note that Sunshine Act exemptions include the Freedom of Information Act exceptions.)

The Budget Process has always been treated as a necessary evil at the ICC. It diverts attention from the tasks at hand. Yet, Bureaus and Offices select key personnel to work on this project to assure an equitable staffing level. There are few at the ICC who truly understand the Budget Process and even fewer outside the agency. Understanding that this article attempts to simplify a complex process, let us run through the Fiscal Year 1984 Budget Process.

The Managing Director's June 7, 1982 memorandum set the tone for the Budget Process. The memorandum reminded Bureau and Office Directors that the ICC should expect to end Fiscal Year 1983 with approximately 1,375 staff (100 less persons than the beginning of Fiscal Year 1983). The Managing Director went on to assume stable employment and total staff years at the 1,375 level for Fiscal Year 1984. This approach allowed the Commission to show a declining budget.

Appended to the Managing Director's memorandum were attachments which: (1) specified target dates for the ICC Budget Process; (2) gave instructions on the Process; (3) outlined Fiscal Year 1982 staffing statistics by program and by Office and Bureau; (4) set budget levels by program and by Office and Bureau; and (5) gave a definition of program activities.

Between June 7 and June 24, 1982, the Offices and Bureaus were busily preparing their individual budget requests. Top management within each Office and Bureau must review their objectives and the staffing and money levels necessary to meet their objectives. Finally, on June 25, 1982, submissions were presented to the Managing Director. The Managing Director has special staff within the Budget and Fiscal Office headed by Mary G. Hogya who review the Office and Bureau submissions and discuss their findings and recommendations with the Managing Director and the Assistant Managing Director, John C. Surina. This process occurred between June 28 and July 12, 1982.

Between July 13 and July 16, 1982, the Managing Director and his key budget staff met individually with each Office and Bureau. At these meetings, goals were analyzed and staffing and monetary requests were reviewed and adjusted, where necessary.

On July 26, 1982, the Managing Director circulated his draft budget to the Commission. The Commission reviewed the submission in preparation for an open conference on August 3, 1982. The conference is traditionally one of the more spirited events of the year. Deregulationist Commissioners seek to slash budget and personnel requests. During the Gaskins regime, former Commissioner Trantum would present his own reduced budget. I am told that Commissioner Sterrett has continued this practice. Other Commissioners snipe at programs and offices they oppose. This is the collegial process at its best. On August 6, 1982, after a few days to digest the positions of their peers and the Directors who have pleaded their cases, the Commission voted on its budget.

The Managing Director's Office then adjusted the budget presentation to conform to the votes of the Commission. Finally, on September 1, 1982 (less than three months after the process began), the Commission sent its budget to the Office of Management and Budget and to Congress.

SECTION III

Implication for the Future

The following is extracted from Summary and Highlight Statement of "Budget Estimates—1984":

> The Interstate Commerce Commission is an independent agency created by Congress to regulate the interstate surface transportation for the benefit of the public.
>
> The President's FY 1984 budget request for the Commission totals $58,038,000 and provides for 1,100 full-time permanent staff-years. This is a decrease of $7,562,000 and 282 staff-years from the FY 1983 appropriation and staff-year ceiling.
>
> The FY 1984 budget reflects a decrease in Commission employment of 46 percent since 1979, just before Congress enacted major regulatory reform legislation affecting the rail, motor carrier and household goods industries. This legislation in 1980 and the Bus Regulatory Reform Act of 1982 had an immediate impact on many of our functions and gave the Commission limited authority to pursue administratively further regulatory reform in certain areas. In developing the FY 1984 budget estimates, the Commission felt that it was rapidly approaching the point where the 1980 legislation was fully implemented and there was little more that could be done administratively (other than proposing additional legislative changes) to further reduce its involvement in the regulatory process. In terms of Commission employment, this was a level somewhere in the vicinity of 1,200 full-time staff-years.
>
> Therefore, the FY 1984 full-time staff level of 1,100 is premised on additional legislation being enacted to further deregulate the motor carrier industry. While the Commission intends to wholeheartedly support more extensive regulatory reform, the budget assumes that at least the following minimal reforms would be enacted:
>
> — granting the Commission broad exemption authority for motor carriers of freight;
>
> — providing a "fitness only" test for motor carrier licensing; and
>
> — combining the Emergency Temporary and Temporary Authority licensing processes under a single application.
>
> Should the legislative proposals listed above not be enacted, a majority of the Commission believes that it would require resources higher than those requested in the President's budget.[1]

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[1] Vice Chairman Sterrett and Commissioner Andre believe that the proposed 1,100 staffing level is reasonable to meet the Commission's present statutory responsibilities.

As we previously stated, the Commission plans to spend less and do less. The same publication contains the following table:

INTERSTATE COMMERCE COMMISSION

STAFF-YEARS AND BUDGET AUTHORITY BY BUREAU AND OFFICE
(dollars in thousands)

	FY 1982		*FY 1983*		*Increase/(Decrease)*		*FY 1984*	
	Staff-Years	*Budget Authority*	*Staff-Years*	*Budget Authority*	*Staff-Years*	*Budget Authority*	*Staff-Years*	*Budget Authority*
Commissioners and their Offices	73	$ 3,200	88	$ 4,392	(1)	$ 499	87	$ 4,891
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Office of the Managing Director	184	9,148	148	7,884	(30)	(1,079)	118	6,805
Commission Totals	1,549	$67,463	1,382	$65,600	(282)	$(7,562)	1,100	$58,038

It will be noted from the table that the drastic cutback in personnel, as referred to in the Highlight, shows up in Proceedings and in the Office of Compliance and Consumer Assistance.

Members already are aware of the drastic drop in opportunities for ICC assistance on enforcement matters, in rate cases, in application cases, and depth of inquiry that is currently undertaken. The budget for FY 1984 contemplates even less involvement of the ICC in what had been its traditional role.

Chairman Taylor is certainly forthright before Congress. In testifying before the Transportation Subcommittee of the House Committee on Appropriations on February 24 and before the Senate Transportation Appropriations Subcommittee on March 15, he asserted that the proposed budget, while it represents a 46 percent cut in employment since 1979, would be attainable only if the recommended legislation reforms are worked out. He reiterated the reforms contained in the summary.

One little nugget of history is contained in footnotes 2 and 4 of Section I. When an independently minded ICC prepared its own budget and saw it whip-sawed by OMB, this Association, Motor Carrier Lawyers Association, and others would appear before these same Committees for restoration and preservation of the program the independent agency envisioned. The amendment in the 4-R Act was intended to keep the agency on an independent status. Now, the agency is composed of Commissioners who, themselves, are initiating the reduction in activity of the Commission.

The reduced level of regulatory involvement is of considerable concern to the Committee. The consensus of comments is that poor regulation is worse than no regulation. After all, why pass laws against bank robbery unless we plan to have some policemen?

Yet, the principal thrust of the budget is to see an on-going system of regulation even though the level of it and the detail of it is substantially reduced. Both the Staggers Act and the Motor Carrier Act of 1980 require the Commission to place greater reliance on competition between carriers. Its budget for FY 1984 shows its intent to do so—perhaps to the maximum extent possible.

The AICCP Committee on Budget of the ICC,

John Womack, *Chairman*
Benson T. Buck, *Vice Chairman*
Olga Boikess
Kenneth F. Dudley
Michael Erenberg
Stanley Lowder
John I. Mayfield, Jr.
John F. Specht
R. Everett Thompson
William D. Grindrod, *Ex Officio*

SUBCOMMITTEE RECESS

Senator D'AMATO. The committee stands in recess until 10 o'clock tomorrow morning.

[Whereupon, at 12:15 p.m., Tuesday, April 26, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 27.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—Subsequent to the hearing, the following statements were submitted for the record:]

STATEMENT OF RICHARD E. MOONEY, PROJECTS DIRECTOR, BROWARD COUNTY AIRPORT EXTENSION PROGRAM

Fort Lauderdale-Hollywood International Airport located in Broward County, Florida is owned and operated by Broward County. The County recognizes that its own continued growth and prosperity is tied to the growth and development of its air transportation system. It is because this is such an important concern to Broward County that we very much appreciate this opportunity today to share our views with the Committee on the FY 1984 FAA Appropriations for the Airport Improvement Program ("AIP").

We are concerned by the FAA's FY 1984 budget request for only $700 million for the AIP. We believe that in failing to fully fund the program this request violates the spirit of the Airport and Airways Improvement Act of 1982. ("1982 Act") The amount requested by the FAA for this program falls nearly $300 million below the $993.5 million level authorized for FY 1984. In his testimony before this Committee several weeks ago presenting the Administration's budget proposal, FAA Administrator Lynn Helms stated that the $700 million requested for FY 1984, when combined with the $750 million obligation limit set for airport improvement in FY 1983, resulted in a two year total for airport grants exceeding the 83/84 authorization limit contained in the Airport and Airway Improvement Act of 1982, as it was originally enacted. However, four months after passage of the 1982 Act, the Surface Transportation Assistance Act of 1982 increased the AIP obligation ceiling for fiscal years 1983 and 1984 by $200 million each.

Thus, in truth, the Administration's $700 million proposal would result in an obligation ceiling of only $1.45

billion for 1983/84 airport development, as opposed to the $1.793 billion level authorized by Congress in the Airport and Airway Improvement Act, as amended by the Surface Transportation Assistance Act.

In addition to underfunding the Airport Improvement Program by nearly $300 million in FY 1984, the Administration's proposal also fails to include $50 million that was authorized but not appropriated for AIP in FY 1983. As the 1982 Act is written, the AIP authorization level for each fiscal year is represented as an aggregate figure, consisting of new monies authorized for that fiscal year plus the AIP's previous years' combined authorization levels. According to the Act's Conference Report, this method of aggregate authorization "insures that authorizations which are not appropriated from the Trust Fund in any given fiscal year are carried forward." Congress set an AIP obligation limit for FY 1983 of $750 million -- $50 million below that year's $800 million authorization level. Thus, in addition to the $993.5 million authorization level established for FY 1984, the $50 million in carryover contract authority from FY 1983 should be made available for obligation in the upcoming 1984 fiscal year as well.

This Congress should make all of these funds available for obligation in FY 1984 in light of the great need for airport development. Both the full House, and the House and Senate Budget Committees have recognized this need by their recent approval of Budget Resolutions which have endorsed full AIP funding for FY 1984 at that year's authorization ceiling of $993.5 million. By contrast, funding at a level below that authorized for FY 1984, as proposed by the Administration, will have a significant adverse impact on

the continued development of the national air transportation infrastructure and in particular, upon Fort Lauderdale-Hollywood International Airport's critically needed development plan.

As the Committee is aware, one of the major hurdles to passage of the 1982 Act was the concern over the lack of guarantees of expenditures from the Trust Fund for AIP. There was significant concern that the Executive Branch would, as it had throughout the 1970's, reduce spending for airport improvement and accumulate massive amounts of funds collected and intended for airport development in order to help balance the budget. These concerns stalemated passage of authorizing legislation for almost three years until Congress and the aviation community received explicit assurances from the Administration that in return for significantly increased user fees, the Administration would agree to spend AIP funds at the levels authorized.

One example of the assurances provided is shown in the following exchange between then-Secretary of Transportation Drew Lewis and Chairman Robert Packwood in a hearing before the Subcommittee on Aviation of the Senate Commerce Committee:

> Senator Packwood (The Chairman). . . . What I need is a pledge from you, and from Administrator Helms, that when we get this legislation in place, the user fees will be used. And that we are not going to use them to mount up a surplus in the trust fund in order to help balance the budget. That is not the point of user fees. They are to be used for the purpose for which they are intended.
>
> Secretary Lewis. We agree completely. And if there is any way you can lock us in, in terms of the legislation, we would be pleased to be locked in so we are obligated, not only the two of us but whoever our successors should be.

> We feel very strongly the money is needed. We do not see this as a budget balancer. And I am sure that Mr. Stockman will work with us, because he has accepted the need for the airports.
>
> . . . . . .
>
> The Chairman. Thank you.
>
> Mr. Helms. Senator, I would add on that just briefly that the Secretary and I recognize this is a sensitive issue, and he and I just discussed this directly with Mr. Stockman to insure that there is no misunderstanding. And Mr. Stockman did pledge to work with us across the board. So we do not feel we have any problem at all.
>
> The Chairman. It is a doubly sensitive issue. First, user fees are to be used for the purpose for which they are intended and not to be used for mounting up surpluses. Second, and even worse, the revenues should not go into the general fund or the highway trust fund from taxes levied on those who use the airways and the airports.
>
> Mr. Helms. It was that specific commitment which Mr. Stockman made that we would draw down the surplus and not let it go back up.
>
> The Chairman. Good. 1/

It was only upon the basis of these assurances that Congress reluctantly agreed in the 1982 tax bill to substantially increase user fees: the airline passenger ticket tax went from 5% to 8% and the general aviation fuel tax went from 4¢ per gallon to 12¢ per gallon for gasoline and from no tax to 14¢ per gallon for jet fuel. These taxes are being collected and are going into the Trust Fund; but now seven months after passage of the 1982 Act, and just a few months after passage of the Surface Transportation Assistance Act of 1982 which authorized an additional $200 million for FY 1984 AIP discretionary funds, the Administration is withdrawing

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1/ Airport and Airway System Development Act of 1981: Hearings before the Subcommittee on Aviation of the Senate Commerce Committee, 97th Cong., 2nd Sess. 86-87 (1982).

from its obligation to spend the authorized amount of funds. We urge the Congress to provide full funding for AIP this year and in the upcoming years of the program, and to ensure that the Administration spends such funds.

The authorized level for airport improvement -- $993.5 million in FY 1984 -- is the minimum level needed to support capital development of the national air transportation system. Unless modernization of the system is undertaken, the system will soon be unable to handle the demands placed upon it.

The need for appropriation of AIP funds at the fully authorized levels is particularly critical during this post-deregulation era. Deregulation has spurred the development of scores of new airlines, as well as the growth and expansion of existing airlines. Without adequate AIP funds, airports throughout the country will be unable to keep pace with the increasing demands for capacity expansion. As a result, congestion and operational costs will increase, reliability will decline, significant delays will become widespread, and, the benefits of a fully competitive marketplace may be substantially reduced.

The necessary improvements have been deferred too long. When the predecessor ADAP program expired in 1980 it was funded at only $600 million, and long-term reauthorization of the program was not achieved until FY 1983. For FY 1981 an interim program was authorized and funded at only $450 million. FY 1982 was similarly poorly funded. The last few years of low funding have created an accumulation of projects which will require many years of maximum funding in order to reduce the backlog. Moreover, during this time of widespread unemployment the President and the Congress have been search-

ing for and supporting programs that will immediately stimulate productive employment, such as construction, rehabilitation, and maintenance projects which improve the capital assets of the Nation. AIP projects are just such projects. In addition, funding of AIP projects would accelerate long-delayed but highly necessary capital improvements which will yield benefits long after the immediate employment stimulus has run its course.

The airport development situation at Fort Lauderdale-Hollywood International provides a perfect illustration of the necessity of full funding for the airport improvement program. To understand our airport's expansion needs, some background on Broward County and its airport is necessary.

During the past decade Broward County was the fastest growing county in the Nation. While the population of the United States increased by 11 percent, Broward County's population increased by over 64 percent. The economy of the County is stable and diversified, and based largely upon tourism, electronics and retiree services, all of which are highly dependent on efficient and convenient air passenger and air cargo services.

One result of the County's massive population growth has been a dramatically increased demand for airport services. In addition, there has been growth in the demand for airport services at Fort Lauderdale-Hollywood International Airport attributable to new carriers entering the market as a result of airline deregulation, and from the use of the airport by major airlines as an alternative to the very busy Miami International Airport. Fort Lauderdale-Hollywood International's growth is demonstrated by the fact that for the most recent ten-year period for which Federal Aviation

Administration data is currently available (i.e., 1971-1980), enplanements there have increased by over 211 percent. Moreover, in the same time period the number of carriers serving our airport increased from 4 to 16. Currently non-stop service from Fort Lauderdale-Hollywood International Airport is provided to 22 markets, and direct service to 28 markets.

This rapid population growth and dynamic demand for airport services has required Broward County to plan a significant expansion of the airport's capacity. The County has approached the necessary expansion rationally. It has examined its needs and developed a comprehensive master plan for development of the airport which conforms with the Florida Aviation System Plan and meets all FAA and local standards. The Fort Lauderdale-Hollywood International Airport master plan is designed to complete a multi-modal air/land/sea transportation complex unparalleled in the United States. The airport expansion is being developed in conjunction with the design and construction of I-595, a major east-west highway of the interstate highway system in South Florida. The improved interstate system will link I-75 on the west side of Broward County with the Florida Turnpike, U.S. 441, I-95 and U.S. 1, which is being relocated in conjunction with the Airport's eastward expansion. I-595 will continue eastward beyond Fort Lauderdale-Hollywood International Airport to nearby Port Everglades, the largest seaport between Norfolk and New Orleans.

Implementation of the airport master plan is expected to take ten to fifteen years and to cost approximately $500 million including financing costs. However, we would like to note, that in line with current economic and financial conditions,

the initial phase has been significantly scaled down to the minimum level necessary to provide for the airport's immediate capacity and operating safety requirements. In fact, many features of the original master plan have already been eliminated in order to reduce costs by $100 million and to retain only those absolutely essential elements of the development plan.

The current project includes land acquisition for runway approach protections and future extension, roadway access, terminal building and parking system improvements. Upon completion of the first phase in 1986 the airport will have the capacity to serve the expected 8 million passengers who will use the facilities. The completed first phase will then place the County in a position to expand Fort Lauderdale-Hollywood International incrementally in line with aviation needs, and to meet the regional, state, and national aviation goals.

The costs of this project will be funded primarily by airport revenue bonds and federal grants. Because of the importance of the expansion program to the national airport system, Fort Lauderdale-Hollywood International Airport is also seeking the maximum allowable under the federal airport grant program.

The first phase of the project, together with other improvements, includes construction elements eligible for approximately $81.5 million in federal aid, and we believe can justify the maximum funding allowable under the Federal Airport Grant Program. This federal funding assistance is particularly critical to Broward County's airport development program because the demands for air service have increased exponentially during a difficult financial period for the

airlines. We have been faced with a need for significant initial expansion rather than incremental expansion as is normally the case where growth is not as rapid.

Because of the losses being experienced by the industry the airlines are, and rightfully so, insistent upon cost effective airport development. In spite of these difficult times, the airlines have enthusiastically supported the current development plan as we have modified it during the past six months. This development plan does not include "frills". We, along with the airlines, are convinced that it includes only absolutely necessary capacity.

The advantages of grants in aid for capital funding are well known. One dollar in federal assistance will avoid debt repayment of approximately $4.70. We have projected what we believe to be an absolute minimum in federal assistance and any shortfall will require going back to the bond market to raise additional funds. This will be in addition to the $260 million airport revenue bond sale which we recently completed. This sale is the second largest "new money" airport revenue bond issue on record in the United States.

In order to place the project costs in context, it is important to note that one-third of the total projected cost for the expansion ($75 million) is required as a direct result of a DOT decision requiring Fort Lauderdale-Hollywood International to provide for access to the airport from the east rather than from the west, as originally planned. This decision forced the County to relocate a railroad, expand the airport access roadway, and acquire private property for access roadways, aircraft aprons and runway approach improvements at a total additional cost of over $75 million.

Furthermore the airport did not undertake significant

development projects during the last decade while it developed its master plan and concept studies and therefore it has not significantly benefitted from the AIP (ADAP) program, as have other major airports. Based on airport activities and airline revenues, the County estimates that Fort Lauderdale-Hollywood International Airport's contributions to the Trust Fund since 1970 have totalled approximately $194 million. However, it has received only a small fraction of this amount in ADAP and AIP grants. Now that Fort Lauderdale-Hollywood International has completed its master plan and has undertaken a systematic development program which is recognized by all to be urgently needed, and taking into account its limited participation in the grant program in past years, the airport should receive the maximum amounts of AIP funds permitted. Such funds will be available only upon full funding of AIP in FY 1984 and beyond.

In conclusion, Broward County urges the Congress to provide full funding for the AIP in FY 1984 at least up to the $993.5 million level newly authorized for FY 1984, but preferably up to a $1.04 billion level which includes the $50 million previously authorized, but not yet made available by Congress for obligation. The AIP program is a user financed program critical to the long-term viability of this nation's air transportation system -- it must not be allowed to be used as a tool for other fiscal purposes.

Thank you again for this chance to present Broward County's view on an issue of such importance to the community.

STATEMENT OF AMERICAN TRUCKING ASSOCIATIONS, INC.

American Trucking Associations, Inc. is the national organization of the trucking industry in the United States. The majority of our membership is subject to rules and regulations administered by the Interstate Commerce Commission (ICC or Commission).

During the past several years, Congress has passed major legislative changes affecting the trucking industry. The Motor Carrier Act of 1980, while changing the regulatory approach to the motor carrier industry, retains basic regulatory controls particularly in the areas of entry and rates. Relaxation of entry requirements and more flexible pricing have resulted in the filing of thousands of new and expanded applications for motor carrier operating authority and thousands of individual rate filings. With this increase in the ICC's workload, the regulated motor carrier industry is greatly concerned with the Administration's proposal to reduce the ICC's budget in excess of $7.5 million for fiscal year 1984. By ICC's own estimate, the Administration's proposed budget will support only 1,100 full-time permanent staff years, a reduction of 282 full-time staff years from its present ceiling.

After careful examination of its functions and resource needs, the Commission believes that in order to satisfy current regulatory requirements a personnel level of approximately 1,200 full-time staff years is necessary. Further, the Commission's analysis indicates that in order to reduce staff to the 1,100 full-time staff years, additional legislation to deregulate the motor carrier industry would need to be enacted.

The regulated motor carrier industry represented by the American Trucking Associations, Inc. supported the provisions of the Motor Carrier Act of 1980. However, it is the industry's understanding that the legislation would be given adequate time after implementation to determine the impact upon the industry, shippers and the consumer before any further legislative changes were adopted. Indeed the act calls for congressional oversight for a period of five years.

In the opinion of the motor carrier industry, implementation of the Motor Carrier Act by the ICC is exceeding the statutory guidelines laid down by Congress. Operating authority has been and continues to be granted

without proper evaluation of need requirements, rate changes are routinely filed without proper review by the Commission, and enforcement activity is seriously curtailed. All of this has resulted in extreme excess capacity, substantial rate irregularities and blatant violations of the regulations. The industry, partially because of the ICC's excess, is financially depressed to the point of insolvency in many instances.

If the Administration's proposed budget becomes a reality, further erosion of the Commission's capabilities will be the ultimate result. With less enforcement and staff, the ICC policing responsibility will be further reduced, encouraging more unlawful operations and ever more preferential and discriminatory rates which are all too prevalent at present.

One illustration of the drastic decrease already taken place in enforcement activity is the fact that the Commission has disclosed that enforcement actions with respect to rate integrity -- rates and concessions -- dropped from 133 cases in 1980 to only 78 in 1982. This has happened during a time of economic recession when considerable overcapacity requires carriers to scramble for freight at rates far below a reasonable rate of return, resulting in every type of rate infraction.

The motor carrier industry feels that, in all fairness, the Motor Carrier Act of 1980 should be given time to prove itself as responsible legislation. This can only be accomplished if the Commission implements and enforces the act as Congress prescribed. And in order to meet its responsibilities, the Commission must be provided with the necessary manpower to carry on in an effective manner.

We ask that the Congress provide sufficient funding and directives in the fiscal year 1984 budget to enable the ICC to properly carry out the provisions of the law.

STATEMENT OF THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

I. Introduction

This statement is submitted for the record to the Senate Committee on Appropriations' Subcommittee on Transportation and Related Agencies on behalf of the National Association of Regulatory Utility Commissioners (NARUC).

The NARUC is a quasi-governmental, nonprofit organization founded in 1889. Within our membership are the governmental agencies of the fifty States and the District of Columbia, Puerto Rico and the Virgin Islands engaged in the regulation of utilities and carriers. Our chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of public regulation in America.

We appreciate this opportunity to express our strong support for continued funding of the Department of Transportation's (DOT's) safety grants-in-aid programs in Fiscal Year (FY) 1984. The natural gas pipeline, rail and hazardous liquids pipeline safety grants-in-aid programs, as well as the newly-created commercial motor vehicle safety grants-in-aid program, provide for the implementation of Federally-mandated standards to improve our Nation's transportation safety. In order to achieve that essential public goal, the programs rely heavily upon a vigorous Federal-State partnership whereby the States voluntarily enforce the Federal safety regulations.

The NARUC is vitally concerned with the future of these safety programs since our members include those State regulatory agencies which are current or potential participants in them. Therefore, we strongly oppose any effort to eliminate funding for the Federal grants offered to participating States under the Federal Railroad Administration's (FRA's) Railroad Safety program or to reduce funding for the Research and Special Programs Administration's (RSPA's) Natural Gas Pipeline Safety grants-in-aid program. In addition, we respectfully encourage the Subcommittee to provide sufficient monies to facilitate initial

implementation of the RSPA's Hazardous Liquids Pipeline Safety Grants-In-Aid Program and the Federal Highway Administration's (FHA's) Commercial Motor Vehicle Safety Grants-In-Aid Program.

The appeal of these programs, in addition to their obvious value in protecting public safety, lies in the fact that they encourage the States to contribute their own funding and manpower to assist the Federal government in fulfilling its various transportation safety responsibilities. Federal grants-in-aid are provided to participating States on a matching basis of up to 50 percent (in the case of FHA's motor carrier safety State grants program 80 percent) of the State's total program costs. As a result, these national safety programs can be carried out at only a fraction of the Federal funding level that would otherwise be required.

Utilizing State resources to implement Federal safety standards reduces the need for a large Federal field staff. In addition, the Federal government gains the benefit of State expertise when enforcement responsibilities are carried out by officials best able to assess the unique requirements of a particular locality.

The overwhelming success of the rail and natural gas pipeline programs in reducing the number of accidents is a compelling illustration of the importance of these Federal safety plans. For these and other reasons to be elaborated herein, the NARUC respectfully urges the Subcommittee to encourage Federal-State cooperation in attaining a safer America in FY 1984 by approving the following:

- an appropriation in the amount of $5.7 million to fund the Federal share of the grants-in-aid program to the States (as authorized by Section 5 of the Natural Gas Pipeline Safety Act of 1968[1]).
- an appropriation in the amount of $2.9 million to fund the Federal share of the grants-in-aid program to the States (as authorized by Section 206 of the Federal Railroad Safety Act of 1970[2]);

1/ 49 U.S.C., Sec. 1674.

2/ 45 U.S.C., Sec. 435.

- an appropriation in the amount of $1 million to fund the Federal share of the grants-in-aid program to the States (as authorized by Section 205 of the Hazardous Liquids Pipeline Safety Act of 1979[3/]); and

- an appropriation in the amount of $10 million to fund the Federal share of the grants-in-aid program to the States (as authorized by Section 402 of the Surface Transportation Assistance Act of 1982[4/]).

II. Natural Gas Pipeline Safety Grants-In-Aid Program

Since its enactment, the natural gas pipeline safety grants-in-aid plan has proved to be a model of Federal-State cooperation in its efficient implementation of gas pipeline safety standards. As administered by the RSPA, the program provides up to 50 percent in matching funds to assist participating States in enforcing gas pipeline safety regulations. If a State agency chooses not to assume responsibility for gas pipelines within its borders, the Federal government automatically bears this responsibility and must pay 100 percent of the costs of the program. The law requires the DOT to annually approve the States' activities to ensure adequate enforcement of Federal standards.

Currently, agencies in 48 States, the District of Columbia and Puerto Rico are certified under this RSPA safety program, evidencing a strong State commitment to ensure the safe operation of natural gas pipelines.[5/]

Federal funds allocated to this program have been put to effective use, permitting many States to establish and perfect State-level pipeline safety activities, as well as to finance personnel training, salary and equipment expenses. However, the safety risks which this program is designed to minimize are substantial. Gas and hazardous liquid pipelines in the United States total approximately 1.7 million miles and transport more than half of the nation's energy supply. These pipelines carry large quantities of extremely volatile substances, often under

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3/ 49 U.S.C., Sec. 2001.

4/ P.L. 97-424.

5/ For a list of participating States, see Appendix A.

high pressure, and expose large segments of the population to risks of potentially catastrophic proportions. In 1979, despite Federal-State inspection efforts, there were 2,221 gas pipeline failures, resulting in 49 fatalities and 419 injuries. Property damage as a result of only 251 liquid gas pipeline failures totaled over $120 million. These figures illustrate the need to continue to fund the pipeline safety program at an adequate level.

The States further demonstrate their commitment to this program by contributing over 50 percent of the national safety inspection effort. In 1981, participating States devoted over 20,500 work-days to pipeline inspection activities, as compared to 380 work-days attributable to Federal inspectors.

For FY 1983, Congress appropriated $3.5 million to the gas pipeline safety program. That amount, allocated to 49 participating States and territories, jurisdictions, was insufficient to provide the full 50 percent matching funds authorized by law.6/ Any reduction in funding would certainly result in the loss of State participation--to the clear detriment of DOT's gas pipeline safety program.

In the twelve years since it was created, the gas pipeline safety program has exemplified the ability of the Federal and State governments to cooperate in protecting the public health and safety. However, in order to keep pace with inflation and a rapidly changing technology, we urge the Subcommittee to approve funds which will allow the program to grow. We therefore request that $5.7 million be appropriated to support the grants-in-aid program at a level necessary to ensure its continued success.

III. Railroad Safety Grants-In-Aid Program

The NARUC is deeply concerned that the FRA has abandoned its commitment to the railroad safety grants-in-aid program by again recommending that funding for the program be eliminated in the coming fiscal year.

6/ See Appendix B.

The rail safety program is similar to the natural gas pipeline safety program in that States certified by the FRA enforce Federal rail safety regulations. Participating States receive up to 50 percent in matching funds to assist them in carrying out these responsibilities.

Currently, 30 States participate in the program with a total of 100 inspectors, an increase over the number of State inspectors employed last year.7/ This number represents almost half of the Nation's track and equipment inspectors. It is largely through the efforts of the State inspectors that railroad accidents have been reduced.

The effectiveness of the rail safety program is well documented and represents a sound investment in a Federal safety program. According to a recent General Accounting Office (GAO) report, State participation in the program has had a positive effect by supplementing the FRA's inspection force.8/ As a result of this Federal-State partnership, each year, the Nation's rail system destroys fewer lives and causes less property damage. Railroad rates have dropped from 12.4 per million train miles (MTM) in 1979, to 11.4 per MTM in 1980 and to 8.2 per MTM in 1981. For accidents atrributed directly to faulty tracks or equipment, the figures are equally encouraging: from 9.3 accidents per MTM in 1978 to 5.9 per MTM in 1981.

These statistics evidence the fact that this program works. No longer is the railroad industry plagued by the 11,000 accidents per MTM that prompted the establishment of the Federal rail safety program in 1970. At that time, Congress agreed that an active State role was essential to assure a high degree of railroad safety in the future. It is through the combined efforts of Federal and State officials, as well as railroad management and labor that rail accidents have decreased.

7/ For a list of participating States, see Appendix C.

8/ Report by the Comptroller General of the United States, The Federal Approach to Rail Safety Inspection and Enforcement: Time for Change (April 19, 1982), p. 39.

Despite these encouraging statistics, however, the GAO report confirms that a train accident occurs about once every hour, costing approximately $800,000 a day in property damage.9/ In addition, the majority of present-day railway accidents are attributable to equipment or track defects, accidents which are clearly the most preventable.

It seems incomprehensible that at a time when the rail safety grants-in-aid program is increasing in effectiveness and efficiency, the FRA is seeking its demise. Such a move runs counter to the Reagan Administration's often stated current regulatory desire to encourage State participation in lieu of increased Federal involvement in local program implementation. In addition, elimination of the program makes no sense during this period of economic restraint.

An FRA representative testified before the House Appropriations Subcommittee on Transportation and Related Agencies on April 13, 1983 that the decision to terminate the program was purely fiscal. Last year the FRA indicated that State grants-in-aid funding would be unnecessary in FY 1983 if it were permitted to hire 24 additional Federal inspectors. The FRA intended to assign only 10 of its new personnel to track inspection and none to equipment inspection.10/ That type of scheme would seriously undermine the continued viability of an efficient railroad safety program.

The FRA also testified that if the program were eliminated, 79 State inspectors would continue to receive full funding by 14 States. The Association has been unable to confirm those figures. Instead, the reports we have received from State agencies indicate that without Federal matching funds, budgetary restrictions will force many States to reduce their level of participation or withdraw from the program entirely. States that may be able to continue operating a limited State rail program will lose their incentive to cooperate with Federal safety efforts.

9/ Ibid, p. 4.
10/ House Report No. 97-783, p. 49.

Any cutbacks will reverse the trend toward safer railways which directly correlates with active State involvement in safety enforcement efforts and will increase the resources the Federal government will have to provide if required to completely fund the program.

With 300,000 miles of railways and 1.7 million freight cars, this Nation cannot afford to curtail its rail safety program. In recognition of this fact, both House and Senate authorizing committees last year displayed strong support for State participation in rail safety. This year the Senate Committee on Commerce, Science and Transportation is recommending that $2.9 million be allocated for the program. The NARUC concurs in that request.

As important as adequate and dependable funding is to the rail safety program, a true Federal-State partnership is essential to an effective program. The GAO has been critical of FRA implementation of the program in the past, specifically citing FRA's reluctance to encourage State participation and reticence in issuing regulations and guidelines to the States.11/ We believe that the relationship between the FRA and the States has improved largely due to the efforts of a State-Federal Task Force on Improvement of the State Participation Program which met in 1980. However, we urge the Subcommittee to encourage the FRA to continue to make a serious effort to solicit the participation of States not currently in the program and to develop a level of cooperation equal to that found in the natural gas pipeline safety program.

The NARUC submits that the advantages of a Federal-State partnership in enforcing railroad safety regulations go beyond the millions of dollars saved by the Federal government as a result of State participation. The true measure of the effectiveness of the program is the savings in human lives and property since the program was created. Accordingly, we seek your help in preserving the State rail safety program through an appropriation in the amount of $2.9 million for FY 1984.

11/ Report by the Comptroller General, at 41.

IV. Hazardous Liquid Pipeline Safety Program

The hazardous liquid pipeline safety program provides for a Federal-State partnership in intrastate liquid pipeline safety, much like the two programs previously described. Unlike those programs, three years have elapsed since the program was authorized, yet no funds have been appropriated.

The RSPA's Materials Transportation Bureau (MTB) has indicated its intent to begin development of a State participation program in this area. In a letter sent to State regulatory agencies in December 1982, the MTB outlined the Bureau's objectives to initiate the program. The six major policy objectives highlighted by the Bureau included the following:

- enabling legislation and regulations necessary for the States to assume jurisdiction over intrastate pipelines and obtain certification;
- issuance of Federal regulations;
- administrative guidelines for State regulatory agencies;
- development of State personnel training courses; and
- availability of Federal grants-in-aid funding.

According to the MTB's timetable, the necessary Federal regulations will be adopted by January 1, 1984, at which time the first eligible States will be certified. Currently, at least 26 States are interested in the program. Twelve States already have the proper jurisdiction through the enactment of legislation and at least eight States are prepared for certification.12/ Therefore, it is essential that funds be appropriated if the safety program is to become a reality.

The NARUC is hopeful that the hazardous liquid pipeline program will achieve the same level of success as the gas pipeline safety program. We respectfully request that the Subcommittee provide $1 million in start-up funds for the implementation of this program.

V. Commercial Motor Vehicle Safety Grants-In-Aid Program

As part of the Surface Transportation Assistance Act of 1982,

12/ See Appendix D.

Congress created a Federal-State partnership to enforce commercial motor vehicle safety standards, similar to the existing DOT safety grants programs.

The NARUC, recognizing the need for such a program, first advocated a comprehensive truck safety scheme in its proposed Motor Carrier Safety Act of 1969.[13/] A similar proposal was offered by Senator Charles Percy (R-Illinois) and supported by the NARUC during the 96th Congress.[14/]

As described in the Conference Report on the Act[15/] the motor carrier safety program will provide matching funds of up to 80 percent of participating States' program costs. In an informal survey of the States conducted by DOT's Bureau of Motor Carrier Safety, State agencies were very enthusiastic about participating in the program, and nine would have the legal authority, resources and personnel necessary for certification by October 1, 1983. The Bureau is developing the necessary regulations for publication in the Federal Register during May. Therefore, if funds are appropriated the program can be initiated by the beginning of the new fiscal year.

Congress authorized $10 million in FY 1984 from the Highway Trust fund to inaugurate the program. With the newly-enacted motor carrier size and weight standards permitting larger carriers to operate on our highways, safety is an ever-increasing concern of the States. In order to keep pace with the changes in truck size standards and to provide a healthy foundation for the program, the Association respectfully urges that the Subcommittee approve the above amount.

VI. Conclusion

The advantages of the Federal-State partnership for enforcing transportation safety regulations--the dollars saved in potential property damage and the immeasurable value in protecting lives--

13/ See 81st NARUC Annual Convention Proceedings, pp. 178-185 (1969).

14/ See 91st NARUC Annual Convention Proceedings, pp. 862-870 (1979).

15/ House Report No. 97-879.

are adequate justification for full funding of the natural gas pipeline, rail, hazardous liquid pipeline and commercial motor vehicle safety programs. However, these programs share an additional beneficial feature in that the financial burden is shared by both the Federal and State governments. In this time of necessary budgetary restraint, such an arrangement is practical and efficient. The alternative is to eliminate all funding, which places at risk the continuation of these important safety programs. The Federal spending of $19.2 million will ensure the existence of a comprehensive safety plan worth twice that amount. We urge the Subcommittee to make available the funds to accomplish this eminently sensible goal.

APPENDIX A

STATES PARTICIPATING IN THE FEDERAL/STATE COOPERATIVE GAS PIPELINE SAFETY PROGRAM IN 1983 UNDER SECTIONS 5(a) AND 5(b) OF THE NATURAL GAS PIPELINE SAFETY ACT OF 1968 AS AMENDED

States Under 5(a) Certification

Alabama
Arizona
Arkansas
California
Colorado
Connecticut
District of Columbia
Florida PSC
Florida State Treasurer (LP Gas Div.)
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Puerto Rico
Rhode Island
South Carolina
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

States Under 5(b) Agreements

Delaware
Massachusetts
New Jersey

States Acting as Interstate Agents

Connecticut
Iowa
Kentucky
Michigan
Montana
Nevada
Ohio
Rhode Island
Utah
Washington
West Virginia
Wyoming

States Not Participating in the Federal Grant Program

South Carolina
Florida PSC

States Not Participating in the Pipeline Safety Program

Alaska
South Dakota

APPENDIX B

1983 Pipeline Safety Grant Program

State	Grant Number	Request	Allocation	Allocation as % of Request*
Alabama	DOT-GB-30001	$166,271	$102,655	62
Arizona	DOT-GB-30002	70,747	58,805	83
Arkansas	DOT-GB-30003	81,716	66,083	81
California	DOT-GB-30004	169,672	104,754	62
Colorado	DOT-GB-30005	70,052	58,227	83
Connecticut	DOT-GB-30006	44,700	39,670	89
Delaware	DOT-GB-30007	10,295	9,947	97
D.C.	DOT-GB-30048	47,307	41,983	89
Florida	DOT-GB-30008	50,624	44,358	88
Georgia	DOT-GB-30009	98,808	76,570	77
Hawaii	DOT-GB-30010	12,500	12,078	97
Idaho	DOT-GB-30011	20,535	19,380	94
Illinois	DOT-GB-30012	161,179	101,325	63
Indiana	DOT-GB-30013	69,975	58,163	83
Iowa	DOT-GB-30014	40,358	36,271	90
Kansas	DOT-GB-30015	82,634	66,826	81
Kentucky	DOT-GB-30016	178,008	105,895	59
Louisiana	DOT-GB-30017	541,706	206,432	38
Maine	DOT-GB-30018	14,910	14,407	97
Maryland	DOT-GB-30019	40,400	36,308	90
Massachusetts	DOT-GB-30020	77,166	63,272	82
Michigan	DOT-GB-30021	138,182	94,643	68
Minnesota	DOT-GB-30022	28,069	26,174	93
Mississippi	DOT-GB-30023	113,528	84,144	74
Missouri	DOT-GB-30024	94,080	73,965	79
Montana	DOT-GB-30025	19,000	18,145	96
Nebraska	DOT-GB-30026	61,879	52,827	85
Nevada	DOT-GB-30027	35,146	31,982	91
New Hampshire	DOT-GB-30028	32,732	30,154	92
New Jersey	DOT-GB-30029	151,644	98,743	65
New Mexico	DOT-GB-30030	68,000	57,287	84
New York	DOT-GB-30031	737,350	280,988	38
North Carolina	DOT-GB-30032	96,796	75,011	77
North Dakota	DOT-GB-30033	9,785	9,565	98
Ohio	DOT-GB-30034	105,698	79,530	75
Oklahoma	DOT-GB-30035	109,900	82,692	75
Oregon	DOT-GB-30036	43,495	39,090	90
Pennsylvania	DOT-GB-30037	193,380	108,511	56
Rhode Island	DOT-GB-30038	57,664	49,877	86
Tennessee	DOT-GB-30039	163,335	102,680	63
Texas	DOT-GB-30040	844,467	321,808	38
Utah	DOT-GB-30041	35,000	32,243	92
Vermont	DOT-GB-30042	26,692	24,890	93
Virginia	DOT-GB-30043	94,620	74,389	79
Washington	DOT-GB-30044	60,220	50,055	83
West Virginia	DOT-GB-30045	117,923	86,075	73
Wisconsin	DOT-GB-30046	114,824	85,105	74
Wyoming	DOT-GB-30047	118,418	86,436	73
Puerto Rico	DOT-GB-30049	20,750	19,582	94
TOTALS		5,742,140	3,500,000	61

*100% in this column would represent full 50% matching funds awarded.

APPENDIX C

GRANTS-IN-AID: NUMBER OF STATES AND PARTICIPATING INSPECTORS AS OF APRIL 14, 1983

State	Track Inspectors	Motor, Power and Equipment (MPE) Inspectors	Operating Practices Inspectors	Total
Alabama	2	2		4
Arizona	2(1*)	1		3
California	2	1		3
Connecticut	1			1
Florida	3	2		5
Illinois	5			5
Iowa	3			3
Kansas	1			1
Louisiana	1			1
Maryland	3(2*)	3(1*)	1	7
Michigan	4	1		5
Minnesota	2			2
Missouri	3			3
Nebraska	1	1		2
Nevada	1			1
New Hampshire	1			1
New Jersey	1			1
New York	3	3		6
North Carolina	2	1(T)		3
Ohio	3	5		8
Oklahoma	2			2
Oregon	2	2		4
Pennsylvania	3	3		6
Rhode Island	1(T)			1
South Carolina	1	1		2
Tennessee	2	2	1(T)	5
Utah	1	1		2
Virginia	2			2
Washington	2	2		4
West Virginia	4(2*)	3(1*)	-	7
TOTAL (30 States)	64	34	2	100

T denotes trainee
* denotes non-federally funded

APPENDIX D

Hazardous Liquid Pipeline Safety Program

Status as of December, 1982

State	No. Intrastate Liquid Operators	Legislation Exists To Assume Jurisdiction	Program Interest Level
Alabama	4	No	High
Alaska	3	--	--
Arizona	2	No	High
Arkansas	3	No	High
California	17	Yes	High
Colorado	7	No	Low
Delaware	2	No	Low
Florida	9	No	Low
Georgia	2	No	Medium
Hawaii	1	Yes	High
Idaho	1	No	Low
Illinois	10	No	Low
Indiana	3	No	High
Iowa	1	Yes	High
Kansas	13	Yes	High
Kentucky	6	No	None
Louisiana	27	No	High
Maryland	1	No	Medium
Massachusetts	2	No	Medium
Michigan	12	No	Medium
Minnesota	2	No	Low
Mississippi	5	No	High
Montana	11	Yes	Low
Nebraska	3	No	High
Nevada	1	Yes	High
New Mexico	13	Yes	Unknown
New York	2	Yes	Medium
North Dakota	5	Yes	High
Ohio	6	Yes	High
Oklahoma	17	No	High
Pennsylvania	5	Yes	Medium
South Dakota	2	--	--
Texas	72	No	Medium
Utah	2	No	Medium
Virginia	1	No	None
Washington	1	No	Medium
West Virginia	4	No	High
Wisconsin	1	No	Unknown
Wyoming	14	Yes	High

STATEMENT OF JOHN R. ANDREWS, GENERAL MANAGER, SIOUX FALLS TRANSIT

The City of Sioux Falls is deeply concerned about the Administration's 1984 Budget request, which we're sure that you are aware does not reflect the intent of the landmark Surface Transportation Act of 1982.

It is our concern that the Adminstration's budget request, as presented to you April 14, 1983 would be devastating to both large transit systems and the many small systems such as Sioux Falls, throughout the United States.

Specifically in the Sioux Falls urbanzied area, the amount of fiscal 1984 funds available for operating assistance would be slashed from $420,000 to $85,000. In fiscal 1985, operating assistance would be completely eliminated.

The immediate effects of such a drastic reduction in operating assistance for Sioux Falls and cities throughout the nation would be devastating. Sioux Falls, like most cities, is not in any financial position to be able to absorb these increased costs in such a short period of time.

The effect of the transfer of the financial responsibility to local governments in such a short time frame will lead to higher fares, reduced service, and increased local taxes. This, in turn, would ultimately lead to a loss of mobility to those who have already had to shoulder a disproportional impact of a depressed economy, i.e., the elderly and the economically disadvantaged.

To deprive this segment of the population of its mobility through increased fares, reduced service and in many cases total elimination of public transit services, (which in all likelihood would be the case in Sioux Falls), would only serve to legitimize the already prevalent feeling that the Federal Government, or more specifically the present Administration is still attempting to balance the budget at the expense of those who can least afford it.

At this time I would urge you to support a budget that would reflect the agreement between the President and Congress with the passage of the Surface Transportation Act of 1982.

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, APRIL 27, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Members present: Senators Andrews, Stennis, and Byrd.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning we have a number of outside witnesses including our good colleague and a member of this committee, the Senator from Georgia, Mack Mattingly.

I think we ought to tell a story about one occasion, Senator, a person was present sitting in a court of sessions in England, returned late in the afternoon and found the same case on, the same advocate talking. He remarked to Lord Cockburn, "Surely, he is wasting a good deal of time."

"Time?" the jurist replied. "Long ago he exhausted time. Now he is encroaching upon eternity. [Laughter.]

Let me say that in a way of admonishing not my distinguished colleague but many others that we have a little timing signal up here for our testimony. We employ it because it means that everybody gets a fair shake.

Let me assure all of the witnesses who are coming in to talk about projects that their entire statements will be put in the record as though they read every word of them. If they can summarize it, I am sure that Senator Stennis and I will be able to get a much better and quicker overview of what they have to say.

Having made that point, allow me to introduce first our good colleague, the Senator from Georgia, who is here to speak about the Talmadge Bridge and Mass Transportation System in Atlanta, Ga.

You may proceed.

STATEMENT OF HON. MACK MATTINGLY, U.S. SENATOR FROM GEORGIA

Senator MATTINGLY. Thank you, Mr. Chairman.

Before my time runs I know you used to be in the House of Representatives and they have a limited debate over there.

Senator ANDREWS. We have a 5-minute limit.

Senator MATTINGLY. When you came to the Senate you know that changed.

Senator ANDREWS. But not much.

Senator MATTINGLY. Mr. Chairman, I appreciate the opportunity to appear before the Subcommittee on Transportation and related agencies to discuss with you a transportation system that is vital to the growth and development of Atlanta and the entire Southeast. The system is MARTA, the Metropolitan Atlanta Rapid Transit Authority.

Yesterday I met with UMTA Administrator Teele and Lee Verstandig of the Department of Transportation to discuss the future of MARTA. I also spoke with Transportation Secretary Dole and stressed the need for a letter of intent from the Administration that will insure completion of the system.

That meeting and conversation were part of a series of contacts that I have had over the past 2 years with the two Secretaries of Transportation, Lewis and Dole, UMTA officials, and MARTA officials.

The sum of $857 million is needed to complete the most efficient and cost-effective transportation system in this country. The local financial contribution to this effort has been outstanding, representing 44 percent of the total cost of the project.

An additional Federal commitment of $467 million is required to finish the task. The Federal commitment, through a letter of intent, must be made now, but can be appropriated and funded over the next 4 years.

When UMTA Administrator Teele testified before this subcommittee on April 14, 1983, he discussed with you, Mr. Chairman, the criteria UMTA will consider in evaluating potential projects for funding.

The Atlanta system, MARTA, has an outstanding record on each of the seven factors that Mr. Teele identified. Briefly, I would like to describe how MARTA meets the UMTA criteria and submit detailed justification for the record.

First, UMTA looks at results of alternatives analysis. MARTA's alternatives analysis strongly supported the proposed system of 53 miles of heavy rail and two busways, proving it to be more cost effective than other alternatives. MARTA completed its alternatives analysis in 1972.

This analysis was accepted by UMTA, and was incorporated in the systemwide environmental impact statement which was published by UMTA in 1973. The analysis showed the proposed system of heavy rail and busways to be economically superior to alternatives such as bus improvements and an all-busway.

Second, UMTA looks at cost effectiveness. The operating portion of the MARTA rail system carries more passengers per mile or per station than some larger systems such as those in San Francisco and Chicago.

When extended as planned, the MARTA system will be even more efficient. In 1977, MARTA conducted a phasing study to determine construction priorities based on cost effectiveness. That study showed the extension of the main north-south line, from the Hartsfield International Airport to Doraville, to be more cost effective than any other segment of the system.

When this north-south line is added to the portion currently operating quite successfully, the efficiency of the system will be increased significantly.

Third, UMTA looks at local financial commitments. MARTA has a very dependable local funding source in its dedicated 1-percent sales tax. Because of its stability, MARTA has been able to float bonds to accelerate system construction.

MARTA is now carrying 100 percent of the cost of the 9 miles of heavy rail now under construction. And MARTA has contributed 30 percent of the cost of building the system currently in operation. By the time the system is complete, the local contribution will have reached 44 percent of the total cost.

The 1-percent sales tax was approved by voters in 1971 and extended by the last session of the general assembly through the year 2012; then the tax will drop to one-half percent. Half of the tax revenue is used for operations, which allows fares to be kept at a reasonable level. The other half is committed to the capital program. MARTA is proposing to contribute 38 percent to complete the line from the airport to Doraville.

Fourth, UMTA looks at local government support. MARTA is a creature of the State government and an instrument of local governments. Both have consistently supported MARTA in a variety of ways; by facilitating the sale of bonds; by passing legislation that will help control cost; by lobbying for Federal funding; and most recently by extending the MARTA tax.

While the city of Atlanta, the city of Decatur, and Fulton and DeKalb Counties have participated in funding pedestrian bridges and malls, Hartsfield International Airport, built by the city of Atlanta, already contains the shell of the MARTA station that will someday add to its accessibility.

Fifth, UMTA looks at private sector support. Private developers have made and are planning major investments around MARTA stations. The MARTA system and its promise for the future have already brought major corporations to Atlanta. This means increased economic opportunity, jobs, and new MARTA riders.

Also, many local merchants depend on MARTA to enhance their patronage. MARTA is supported enthusiastically by the Atlanta Chamber of Commerce and Central Atlanta Progress.

Sixth, UMTA looks at community support. Surveys of consumer attitudes, conducted by MARTA as well as others, consistently show overwhelmingly favorable opinions of MARTA and strong community support for the MARTA project. History also bears this out.

In 1971, local citizens committed themselves to MARTA by voting for a tax. And, they have been riding in record numbers. However,

these same surveys show a demand for service that MARTA is presently not in a financial position to provide—in recent areawide survey, the public chose completing the rapid rail system as the most important of seven goals for MARTA.

Seventh, UMTA looks at minority business participation. MARTA has an excellent record in the involvement of minority business and continues to win awards from minority business trade associations and contractors groups for its efforts on their behalf.

Of the contracts MARTA has awarded so far, minority businesses have received more than 20 percent—female business more than 5 percent. These contracts have been in significant areas including transit vehicles, communications and signaling equipment, and about 35 percent of the architectural and engineering work on station and line segment designs.

As is evident from the information I have just cited, MARTA clearly surpasses the UMTA criteria for funding. In fact, MARTA excels in achieving the goals and objectives which have been established by UMTA and the Department of Transportation.

The system has helped meet the transportation needs of those living in and visiting Atlanta. It has reduced fuel consumption and air pollution. It has provided accessible transit service for the transit-dependent, those who do not have an automobile available.

It has contributed to urban revitalization and stimulated employment and it has provided equity in transit service and programs.

The MARTA system is near completion. A total of $857 million is needed to finish the system. Of this, the local contribution will be $322 million and the Federal requirement is for $467 million.

I am requesting a letter of intent from the administration and Congress to complete the project. Together we can work to see that one of the most cost-effective and efficient transportation systems in our country is in operation.

I would like to request that the document entitled "Airport to Doraville by 1988" be included as a part of my testimony.

Thank you again for your time, and I ask, Mr. Chairman, for your favorable consideration.

Senator ANDREWS. It will be included.

[The document follows:]

AIRPORT TO DORAVILLE BY 1988

SUMMARY

GOAL:

To complete the MARTA North-South Line from Doraville to the Hartsfield Atlanta International Airport in 1988 (Attachment 1). This will place in service over 23 miles of high speed rail transit in one of the most heavily travelled corridors in Metropolitan Atlanta. It will link three of the major employment centers in the region: the North-Northeast Sector with 157,000 jobs; the Central Business District with 95,000 jobs; and the Airport area with 30,000 jobs. Rail ridership will increase from the current 130,000 per day to an estimated 250,000 per day.

REQUIREMENT:

MARTA currently expects to receive $68 million in federal funds for Fiscal Year 1983.

An additional federal commitment of $467 million is required to meet the goal (Attachment 2). The commitment has to be made now, but can be paid over the next four years.

SOURCE OF FUNDS:

Section 3 of the 1982 Surface Transportation Act. This Section provides approximately $1.1 billion per year for the next four years in federal gas tax money to be spent by the Secretary of Transportation, at her discretion, on transit improvements such as MARTA (Attachment 3).

I. BACKGROUND

A. System Development

- The 53-mile MARTA Rail System is divided into five phases. Phases A and B1, consisting of 16 miles of track and 20 stations, are in service (see Attachment 4). The Urban Mass Transportation Administration (UMTA) contributed $940 million or approximately 70% towards the cost of building these segments.

- Construction is proceeding on Phase B2: Arts Center to Lenox and West End to Lakewood. This work is being accomplished under a Letter of No

Prejudice (LONP) for $437 million in federal funds. (A Letter of No Prejudice enables MARTA to proceed with construction using local funds without forfeiting eligibility for federal funds should they become available.)

- Construction is also underway on Phase C: Lenox to Doraville and Lakewood to the Airport.
  * Stage I of the Airport Station was built in September 1980 as part of the new terminal at Hartsfield Atlanta International Airport. This construction was done under a Letter of No Prejudice in the amount of $7.67 million in federal funds.
  * The Brookhaven segment, including the station, is being built completely with local funds without a Letter of No Prejudice. This segment will open in December 1984 along with the Lenox and Lakewood segments.
  * Also, in Phase C the Authority is proceeding with design, land acquisition, and utility relocation between Lakewood and East Point without any federal involvement.
  * Completion of the 12-mile, 6-station Phase C segment is essential to achieve the maximum benefit from the other segments of the system.

B. Ridership

- Daily ridership on the existing rail system is approximately 130,000. When the Lakewood to Brookhaven segment opens in late 1984, ridership is expected to reach 190,000 per day. When the Doraville to Airport segment is completed, rail ridership will climb to 250,000 daily passengers.

- MARTA's rail ridership compares favorably with other rapid transit systems, considering the size of the system. MARTA's ridership per station and ridership per mile are higher than in larger cities such as San Francisco, Chicago, and Cleveland.

C. Cost-Effectiveness

- Phases B2 and C will add the most cost-effective segments to the MARTA Rail System. This assessment is based in results of a comparative analysis of system extensions beyond Phase A. The analysis considered factors such as patronage, capital and operating costs, cost per new rider, overall travel

utility, and other factors such as development impact and service to transit-dependent populations and employment locations.

- With the recent opening of Phase B1, MARTA has already reached the point where it is significantly cheaper to transport a passenger by rail than by bus - 56 cents. vs. 95 cents. As the North-South Line is extended, productivity increases will be even more pronounced.

- The extension to the Airport will be the most cost-effective segment of the system. It is anchored on the south by the Hartsfield Atlanta International Airport, the largest and second busiest airport in the world. The airport currently serves 40 million passengers per year. This figure is projected to increase to approximately 110 million by the year 2000.

he Airport Station will provide the best downtown-to-airport connection of ıny American city and will link the two largest concentrations of employment in the Atlanta area: The Atlanta Central Business District which contains approximately 95,000 workers; and the airport area where almost 30,000 workers are employed.

- On the north, Phase C is anchored by the Doraville Station which is located in one of the fastest growing sectors in the Atlanta area. The North-Northeast Sector, which includes Doraville, experienced a net employment growth of 80,000 workers between 1970 and 1980. This represented approximately 30% of the region's employment growth. The adjacent sector (East-Northeast), which the North Line will also serve, accounted for about 21% of the employment growth during this period.

- It is critical that efficient transit service be put in place in order to help shape the rapid growth which is occurring in the Phase C corridors.

D. MARTA's Track Record

MARTA works! It has an excellent track record in achieving goals and objectives which have been established by the U.S. Department of Transportation and the Urban Mass Transportation Administration:

- Increase transit's share of total trips in order to satisfy mobility needs and reduce fuel consumption and air pollution:
  * 20,000 daily trips have been diverted from auto to rail in the East-West Corridor alone.
  * East-West Corridor auto volumes have decreased as much as 10%, and auto speeds have increased on I-20 East and West.
- Provide accessible transit service for the "transit-dependent":
  * 63% of the trips on MARTA are made by passengers who do not have an automobile available.
  * MARTA service is available to all major employment centers, health, recreation, and educational facilities, and efforts are under way to improve that service.
  * MARTA provides extensive service for "reverse-commuters"; the North Line carries heavier volumes away from Five Points in the morning rush hour than toward Five Points.

Contribute to urban revitalization and stimulate employment:

* Since 1975, the largest share of metro area office growth has occurred in downtown Atlanta which is well served by rail transit.
* Property values along rail lines have increased faster than the average for the region.
* A number of major development projects have been recently built in conjunction with the MARTA System, and plans are under way for several other projects:

  Georgia-Pacific chose the Peachtree Center Station as the site of their headquarters when they moved to Atlanta;

  Southern Bell built its new headquarters as a joint development project at the North Avenue Station;

  The State of Georgia built two new office buildings on top of the Georgia State Station;

  AT&T built its regional headquarters across from Arts Center Station;

  Two new office buildings have been built near the suburban Decatur Station;

  Two major projects are planned for the new Lenox Station.

* MARTA employs almost 2,700 people full time, and MARTA contractors employ another 1,500 workers every week in the rail construction program. Thousands of other workers are employed supplying materials and services for the rail construction program on which MARTA will spend $310 million this year.

* The multiplier effect of the rail construction dollar is 3.5 times the direct investment which means that the billion dollars plus spent for Phase A has contributed almost four billion to the region's economy.

- Equity in Transit Service and Programs:

* Minority firms and female firms have received more than $177 million in total contracts from MARTA. This amounts to 20% minority and 5% female participation.

* MARTA's record in providing quality service to all communities on a non-discriminatory basis has been recognized by the U.S. DOT Office of Civil Rights.

E. Support

- Local

* MARTA enjoys the support of local governmental and civic leaders, business leaders, the media and the general public.

- State

* The Georgia General Assembly continues to pass legislation to assist MARTA in cost-control measures and in financing the rail construction program by extending the 1% sales tax in 1979 to the year 1997 and again in 1983 to the year 2012.

* The State Department of Transportation and MARTA cooperate and share expenses when highway and transit projects interface in the same corridor.

- Congressional Support

* There continues to be strong bi-partisan support for the MARTA project in the Georgia Congressional Delegation.

- U.S. DOT/UMTA

  * MARTA was UMTA's first "new start" and full funding rail project.

  * UMTA has committed itself to ensuring that MARTA's implementation proceed as promptly as possible.

  * In January 1983 former Secretary Lewis reaffirmed UMTA's commitment to the continued funding of the rail development program.

II. FUNDING REQUIRED TO MEET GOAL

A. Funding Requirements

- $857 million is needed to complete the Airport to Doraville segment in late 1988. MARTA has the capacity to invest $322 million or 38% of this amount. The required federal investment is $535 million or 62%.
- MARTA currently expects to receive $68 million of this amount in fiscal year 1983 from funds already earmarked and from the 1982 Transportation Act funds which will be distributed on a formula basis.
- An additional $467 million in federal funds are needed to achieve the goal of Airport to Doraville in 1988.

B. Availability of Federal Funds

- Section 3 Discretionary Grant Program

  * In addition to funds which will be distributed on a formula basis, the Transportation Act of 1982 authorizes $1.25 billion in Section 3 funds for FY1984 and $1.1 billion for FY1985 and 1986 to be distributed at the discretion of the Secretary. The Administration has proposed a budget of $1.1 billion for FY1984. It appears reasonable to assume that $1.1 billion of Section 3 funds will be available annually between now and 1987. MARTA's requirement of $117 million per year would represent approximately 10% of the discretionary allocation.

- Consequences of not Receiving Federal Aid

  If MARTA does not receive the requested $467 million in federal funding, we would have to rely on future sales tax revenues. Since we will be using up our bonding capacity to construct from Brookhaven to East Point, this will significantly delay completion of the line from the Airport to Doraville. Based on our projections of sales tax revenue, and the effects of inflation on construction costs, the line to the Airport would not open until 1998. The Doraville Station would not open until the year 2000

REVENUE SERVICE DATES

STATION	LOCAL FUNDS	GOAL
Brookhaven–Lakewood	1984	1984
East Point	1986	1986
Chamblee	1989	1987
College Park	1991	1987
Airport	1998	1988
Doraville	2000	1988

Attachment 1

AIRPORT TO DORAVILLE BY 1988
FUND ANALYSIS

$857 M	Cost to Complete
-322 M	Local Funding
535 M	Required Federal Funding
- 68 M	Anticipated Funds - FY83
$467 M	Additional Federal Funds Required

Attachment 2

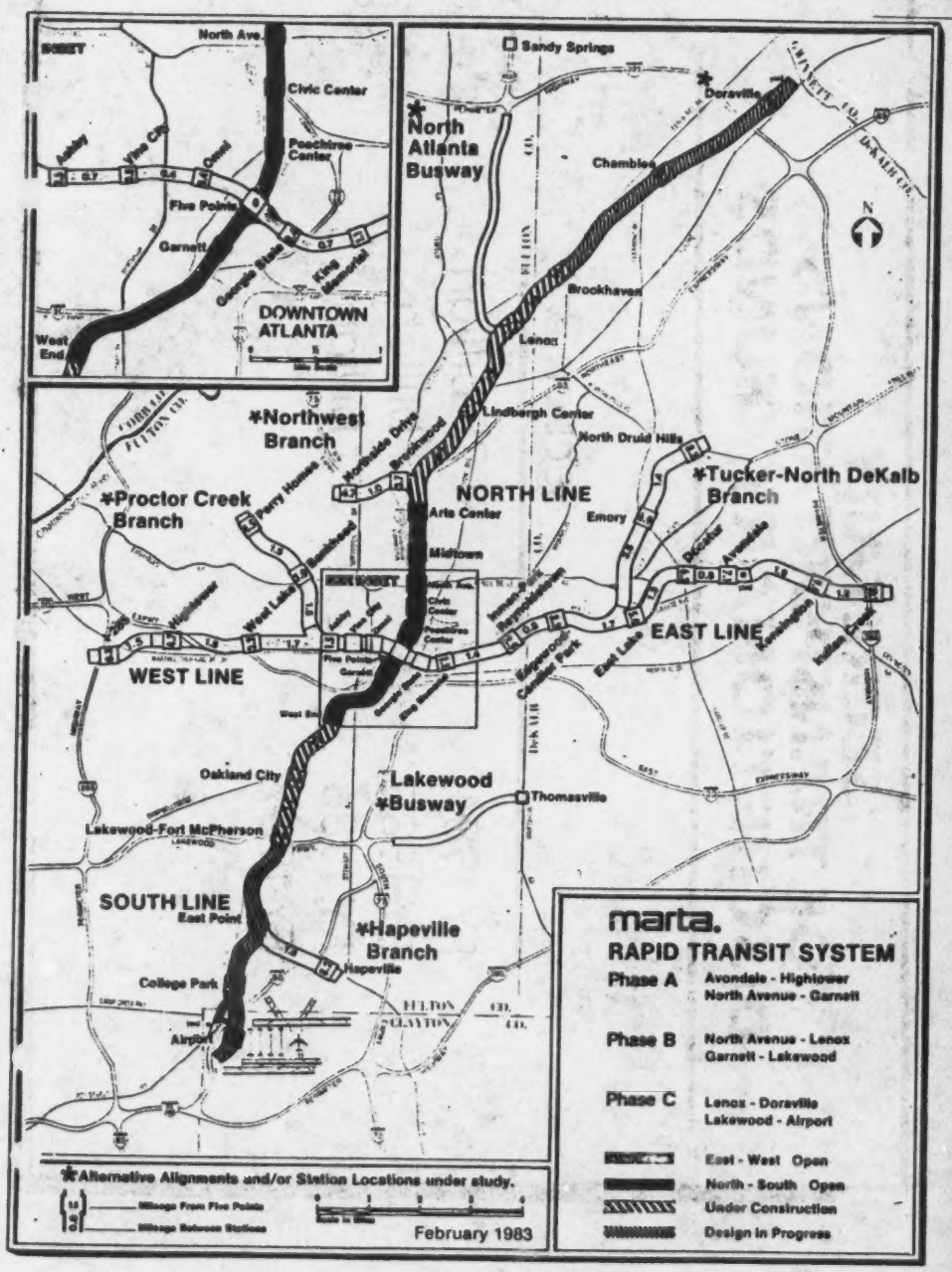
1002

SECRETARY OF TRANSPORTATION'S DISCRETIONARY FUNDS

	Section 3
FY 1984	$1.25 billion
FY 1985	$1.1 billion
FY 1986	$1.1 billion
FY 1987	—

Attachment 3

Attachment 4



LETTER FROM CLAY C. LONG, CHAIRMAN, METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Mr. Arthur E. Teele, Jr.
Administrator
Urban Mass Transportation Administration
400 Seventh Street, S. W.
Washington, D. C. 20590

April 15, 1983

Subject: Funding Proposal to Complete the MARTA North/South Line.

Dear Mr. Teele:

I am writing you on behalf of the Metropolitan Atlanta Rapid Transit Authority (MARTA) to outline MARTA's capital funding needs through Fiscal Year 1987.

As you know, MARTA is currently operating a total of 16 miles of rail service: approximately 12 miles on the East/West Line and 4 miles on the North/South Line. Nine miles of construction on the North/South Line is currently under way. Ten miles of additional construction is required in order to complete the North/South Line.

MARTA proposes to extend revenue service to the entire North/South Line from Doraville to Hartsfield Atlanta International Airport by December 1988. This proposal calls for Federal funding participation over the next four fiscal years primarily to retire letters of no prejudice under which a significant portion of the MARTA System has been constructed thus far. In addition, the proposal provides for an increased level of local funding.

In order to complete the North/South Line by December 1988, MARTA estimates that approximately $857 million will be needed within the next five fiscal years, including Fiscal Year 1983. Of this amount, MARTA, through local sales tax revenues and additional bond sales, can provide $322 million. Accordingly, $535 million in Federal funds from UMTA will be required. Of this $535 million, MARTA estimates that $68 million will be available through the Section 9A program and from FY 1983 urban discretionary funds. Thus, an additional $467 million, or about $117 million per year, in Federal funds from the Section 3 urban discretionary program will be needed in order for MARTA to complete the North/South Line in a timely and cost-effective manner.

Several unique factors exist which MARTA believes support such Federal participation. First, although UMTA classifies the MARTA System as a new start, the MARTA Rail System differs from other systems which are classified in this category. Construction of the MARTA System was begun in 1975, and the System has had passenger operations for more than three and one-half years. Accordingly, MARTA is the only operating rail system which is still classified as a new start (WMATA, of course, has historically received special treatment by the Congress). Furthermore, since MARTA is so classified, it is not eligible for rail modernization funds (as you are aware, eligibility for such funds has historically required that a mass transit system have 20 miles of its system in operation for more than five years).

Second, unlike most other systems in the new start category, MARTA is willing to increase the amount of local funding participation from 25 percent to almost 38 percent (i.e., of the $857 million needed to complete the North/South Line, MARTA is prepared to fund $322 million locally). While other new start systems have been looking to the Federal Government for the bulk of their financial support, MARTA has since 1973 utilized a local sales tax to provide much of the funds for the construction of the System. In fact, a portion of Phase C is being constructed solely with local funding without a Federal grant or letter of no prejudice. This action was necessary in order that the minimum viable operating system could be constructed thereby giving MARTA and UMTA a better return on their capital investment. Clearly, MARTA meets the requirements stated in the Conference Report of the Surface Transportation Assistance Act of

1982 in which it is stated "preference (for new start funding) should be given to projects which maximize the cost effectiveness of the Federal contribution including.....substantial non-Federal capital contribution." As a matter of fact, if the funding is approved MARTA's local contribution to the construction of the 1988 operating system will be approximately 44 percent.

Third, unlike the situation faced by other systems in the new start category, MARTA's request for approximately $117 million per year from the Section 3 Program for the next four years is primarily for reimbursement for construction which has already been completed or begun pursuant to letters of no prejudice previously issued. Thus, Federal funding would be primarily utilized to retire letters of no prejudice under which MARTA has, in good faith, proceeded to construct Phase B-2 and a portion of Phase C. Such an approach would be fully consistent with UMTA's actions in the past in funding projects covered by letters of no prejudice.

The completion of construction and starting full operations on all of the North/South Line by December 1988 is crucial if MARTA is to continue to maintain one of the most efficient and cost-effective rail systems in the Nation. If the North/South Line is not completed by December 1988, the amount of capital investment needed to complete the System will increase dramatically due to escalating construction costs. Moreover, the human resources and the organization which we have assembled to build the MARTA Rail System to this point are adequate to complete the task outlined in this proposal. If we are unable to maintain our momentum, this organization will have to be substantially pared back without any prospects of immediate remobilization.

Accordingly, MARTA requests that UMTA issue a Letter of Intent in Fiscal 1983 to provide $467 million over the next four succeeding fiscal years, to be retired by grant awards of approximately $117 million in the first quarter of each fiscal year, to fund the completion of the North/South Line. In consideration for the aforementioned actions, MARTA is willing to agree not to seek any additional Section 3 urban discretionary funds which are authorized by the Surface Transportation Assistance Act of 1982, or any Letter of Intent for such funds, for the time period under which the Section 3 Program is currently authorized.

Sincerely,

Clay C. Long

Clay C. Long
Chairman

NEED TO REPLACE TALMADGE MEMORIAL BRIDGE

Senator ANDREWS. We thank you for an excellent statement, Senator. It is good to have you here.

Senator MATTINGLY. Mr. Chairman, may I make one more statement in reference to the Talmadge Bridge?

Senator ANDREWS. Go ahead.

Senator MATTINGLY. I would like to present to you and the Subcommittee on Transportation and related agencies a summary of a problem that affects not only the residents of the State of Georgia but the defense and economy of the United States as well. I am speaking of the Port of Savannah and the need to replace the Talmadge Memorial Bridge, the bridge traversing the Savannah Harbor.

The problem with the Talmadge Bridge is threefold.

First, and foremost, there is an extreme safety hazard. This hazard exists not only for surface transportation but for navigational traffic as well.

Second, the Talmadge Bridge negatively impacts the national defense capabilities of our country. The U.S. Army 24th Infantry Division is based at Hunter Army Airfield in Savannah and nearby Fort Stewart in Hinesville, Ga. Timely movement of this element of our rapid deployment force is seriously constrained by the height of the Talmadge Bridge.

Finally, the Port of Savannah is a vital link in the foreign trade network of the United States. It is the leading port for foreign trade among the 10 mainland South Atlantic ports.

The continuing presence of the Talmadge Bridge, with a height constraint, will choke the foreign trade at this port and will be detrimental to the trade of the entire South Atlantic, the east coast, and the 25-State trade hinterland.

All of the problems facing the Talmadge Bridge are serious ones. In all, the solution to the problem lies in the replacement of the bridge.

The sufficiency rating for the Talmadge Bridge is 52.7. It, therefore, would normally qualify for rehabilitation under the Federal HBRR program. However, this structure is a steel truss and it is not physically possible to widen it to meet the proper functional design for present traffic volumes, which should be 44 feet for two-lane traffic.

The only prudent method to improve this structure is replacement. While the sufficiency rating is quite low, it would become even lower if the rating system could reflect the grade of the approach and the immediate 115° curve, the clearance problems on the waterway, and the defense critical nature of the Savannah Port.

Replacement with realignment of the bridge approaches and roadway are the appropriate improvements to this hazardous, physically and functionally inadequate problem bridge.

I am requesting that the subcommittee include in any fiscal year 1983 supplemental appropriations bill $5 million for the design of the Talmadge Bridge development project. If this is not possible, I request that the appropriation be included in the fiscal year 1984 transportation bill.

Thank you, Senator Andrews, for the opportunity to present my proposal to you.

I would like to submit for the record a detailed analysis of the Talmadge Bridge situation, with supporting documentation. This documentation includes a letter from U.S. Trade Representative Bill Brock attesting to the trade problems associated with the Talmadge Bridge.

Also included is a letter from Secretary of the Army John Marsh which describes the Talmadge Bridge's impact on movement of U.S. military forces.

I am also attaching a letter from the Savannah Pilots Association and excerpts from two studies which describe the navigational hazards associated with the Talmadge Bridge.

Again I thank you for your patience, Mr. Chairman. I appreciate your time.

[The documents referred to follow:]

Analysis of the Talmadge Bridge Situation

BACKGROUND

The Eugene Talmadge Memorial Bridge over the Savannah River in Savannah, Georgia was constructed in 1954. Funding was from a combination of bonds, sold by the Coastal Highway Association, and State funds. No federal funds were used in constructing the bridge. Ownership was transferred to the Georgia Department of Transportation in 1975 upon retirement of the bonds.

The total length of the Talmadge Bridge is 6,035 feet. The roadway width, curb-to-curb is 27.8 feet. The 1981 adjusted average daily traffic was 8,043, with a truck percentage of 7 percent. Vertical navigation clearance is 135 feet from near high water within a 400 foot wide river channel. Horizontal, distance between the center span piers is 710 feet.

PHYSICAL CONDITION OF THE BRIDGE

The Talmadge Bridge requires extraordinary maintenance due to the present traffic, which exceeds the design volume of the structure. Fatigue damage of the truss span deck requires constant rewelding of joint failures. Accelerated corrosion due to the adverse environment requires constant cleaning, priming, and painting to prevent further section loss to members of the structure.

SURFACE TRANSPORTATION SAFETY IMPACT

A major safety problem exists due to the grade of the bridge and the alignment of the approach on the south side. There is a zero rollout distance for vehicles on the 4.9 percent down grade which turns left immediately as the bridge comes to grade. The traffic leaving the bridge must stop at an intersection just south of the approach until opposing thru-traffic has cleared. This stop creates an additional safety hazard with potentially dangerous results due to the high number of trucks carrying hazardous industrial cargo.

NAVIGATIONAL SAFETY IMPACT

The main truss piers are located in the river channel in water averaging 23 feet deep on the north side and 15 feet deep on the south side. Because of the combination of narrow approach and the larger size vessels using the port, the bridge piers have become vulnerable. At the point in the channel where the piers are located, vessels must negotiate a turn in the narrow channel creating the constant probability of a collision endangering the safety of the bridge as happened in Tampa, Florida a few years ago. The existing fenders are not sufficient to prevent river traffic from hitting the bridge piers and present shipping could reach the piers as the adequacy of the fenders is in question.

Widening of the navigational channel is necessary due to the steady increase in the density of the traffic in the upper harbor. The bar pilots state that this situation has created a serious shipping hazard due to the narrowness of the present 400 foot channel. The larger size vessels experience difficulty in maneuvering in the restricted waters due to their reduced handling characteristics. Vessel speeds are restricted due to the narrow channel further impacting handling characteristics. The strong ebb and flood tides associated with the narrow channel intensifys the navigation hazards of docking and undocking larger vessels at berthing facilities. Vessels are generally compelled to dock and undock during or near slack water for this reason.

The docking facilities are just up river from the bridge and the ever present hazard of power loss is a constant probability endangering the safety of the bridge.

MILITARY AND DEFENSE IMPACT

The United State Army's 24th Infantry Division is located at Hunter Army Airfield in Savannah and nearby Fort Stewart in Hinesville, Georgia. The Military Traffic Management Command in November, 1982 responded to a request by the Savannah District Engineer with a analysis of vessels expected to be used by ground forces in a rapid deployment. Various vessels were determined to have height constraints, the principal ones being C7-S-95A Class Ro-Ro Vessels that would face up to six hour delays and may require rescheduling of arrivals or possible use of alternate vessels.

The LIFELINE 83 exercise scheduled for May 4-6, 1983, in which troops and equipment will outload at Brunswick, Georgia, move by sea and offload at the Port of Savannah. One of the two cargo vessels to be used cannot pass under the Talmadge Bridge. Two Ro-Ro vessels chartered by the Navy have experienced delays in the past during development exercises using the Savannah port and the Talmadge Bridge.

ECONOMIC IMPACT

The Talmadge Bridge is a hindrance to United States trade. Extensive studies using the World Fleet Forecasts, prepared for the U. S. Maritime Administration, and ship height characteristics disclosed that container ships and roll-on/roll-off vessels are increasingly constrained by the height of the Talmadge Bridge.

Savannah is a major port for handling container cargos, virtually all of which are in the foreign trade. Between 1978 and 1981 foreign commerce increased more than 30 percent and in fiscal year 1982 Customs revenues collected at the Port of Savannnah alone exceeded $164.4 million. Shippers in more than 25 states import or export significant quantities of cargo through the Port of Savannnah. As an example, the Tennessee Eastman Corp. annually ships between 2,000 and 2,500 containers through the port.

Georgia Ports Authority studies indicate that of the container ships currenty operating in trades that serve U. S. Atlantic coast ports, more than 11 percent are precluded from passing at low water and maximum draft and more than 35 percent are precluded or delayed at mean high water at a standard draft. This translates to about 1,270,000 tons foregone yearly in containerized cargo by the year 2000. The cumulative impact is that by the year 2010 more than 36 million tons of containerized cargoes of all types will be foregone at the Port of Savannah due to the height of the Talmadge Bridge. Estimated losses between 1988 and 2919 would exceed $800,000,000.

The Port of Savannah is a vital link in the foreign trade of the United States and handled more than ten million tons in exports and imports in 1981 representing $4,641 billion in cargo value. The continuing presence of this bridge with a height constraint will choke the foreign trade at this port and will be detrimental to the trade of the entire South Atlantic, the East Coast and the entire 25 state trade hinterland.

ELIGIBILITY FOR FUNDING

The Sufficiency Rating for the Talmadge Bridge is 52.7. It, therefore, would normally qualify for rehabilitation under the

federal HBRR Program. However, this structure is a steel truss and it is not physically possible to widen it to meet the proper functional design for present traffic volumes, 44 feet for 2 lane traffic. The only prudent method to improve this structure is replacement. While the sufficiency rating is quite low, it would be even lower if the rating system could reflect the grade of the approach and the immediate 115 curve, the clearance problems on the waterway, and the defense critical nature of the Savannah port. Replacement with realignment of the bridge approaches and roadway are the appropriate improvements to this hazardous physically and functionally inadequate problem bridge.

FINANCIAL SUMMARY

The proposed Talmadge Bridge replacement project is estimated to cost $117,000,000 in 1982 dollars. The funding requested through fiscal year 1983 supplemental appropriations or through the fiscal year 1984 appropriations bill is $5 million for engineering and design.

LETTER FROM JOHN O. MARSH, JR., SECRETARY OF THE ARMY

Honorable Mack Mattingly
United States Senate
Washington, D. C. 20510

26 April 1983

Dear Senator Mattingly:

Thank you for your inquiry concerning the proposed replacement bridge for the Savannah River Crossing between Georgia and South Carolina.

There is a need for various units of the Rapid Deployment Force from Fort Stewart and Hunter Army Airfield, Georgia to deploy from the Port of Savannah on short notice on a variety of vessel types. The height of the present bridge restricts many of these vessels, with the number expected to increase as more modern roll on/roll off and containerized vessels replace older styles. Although not Defense essential, it is in the Army's best interest that the Savannah River Bridge be in an optimum state.

Sincerely,

John O. Marsh, Jr.

John O. Marsh, Jr.

LETTER FROM WILLIAM E. BROCK, U.S. TRADE REPRESENTATIVE

The Honorable Mack Mattingly
United States Senate
Washington, D.C. 20510

April 25, 1983

Dear Mack:

After our recent conversation concerning the Talmadge Bridge, I asked my staff to review available analyses to determine what impact, if any, the height of the bridge could have on activity at the Port of Savannah.

Our review indicates that the height of the Talmadge Bridge will adversely affect future trade flows. According to information provided by the Georgia Port Authority, the Talmadge Bridge, carrying U.S. Highway 17-A across the Savannah Harbor, provides a navigation clearance height of 135 feet at mean high water. Extensive studies using the World Fleet Forecasts prepared for the U.S. Maritime Administration disclose that container ships and roll-on/roll-off vessels are increasingly constrained by this height.

This is particularly troublesome because Savannah is the leading port for foreign trade among the ten mainland South Atlantic ports. More than ten million tons of cargo were handled through Savannah in calendar year 1981. This volume of trade represented more than $4.6 billion in value. Savannah is a major port for handling container cargoes, virtually all of which are in foreign trade. Between 1978 and 1981, foreign commerce through the port increased more than 30 percent. In fiscal year 1982, Customs revenues collected at Savannah exceeded $164.4 million. Shippers in more than 25 states import or export significant quantities of cargo through Savannah.

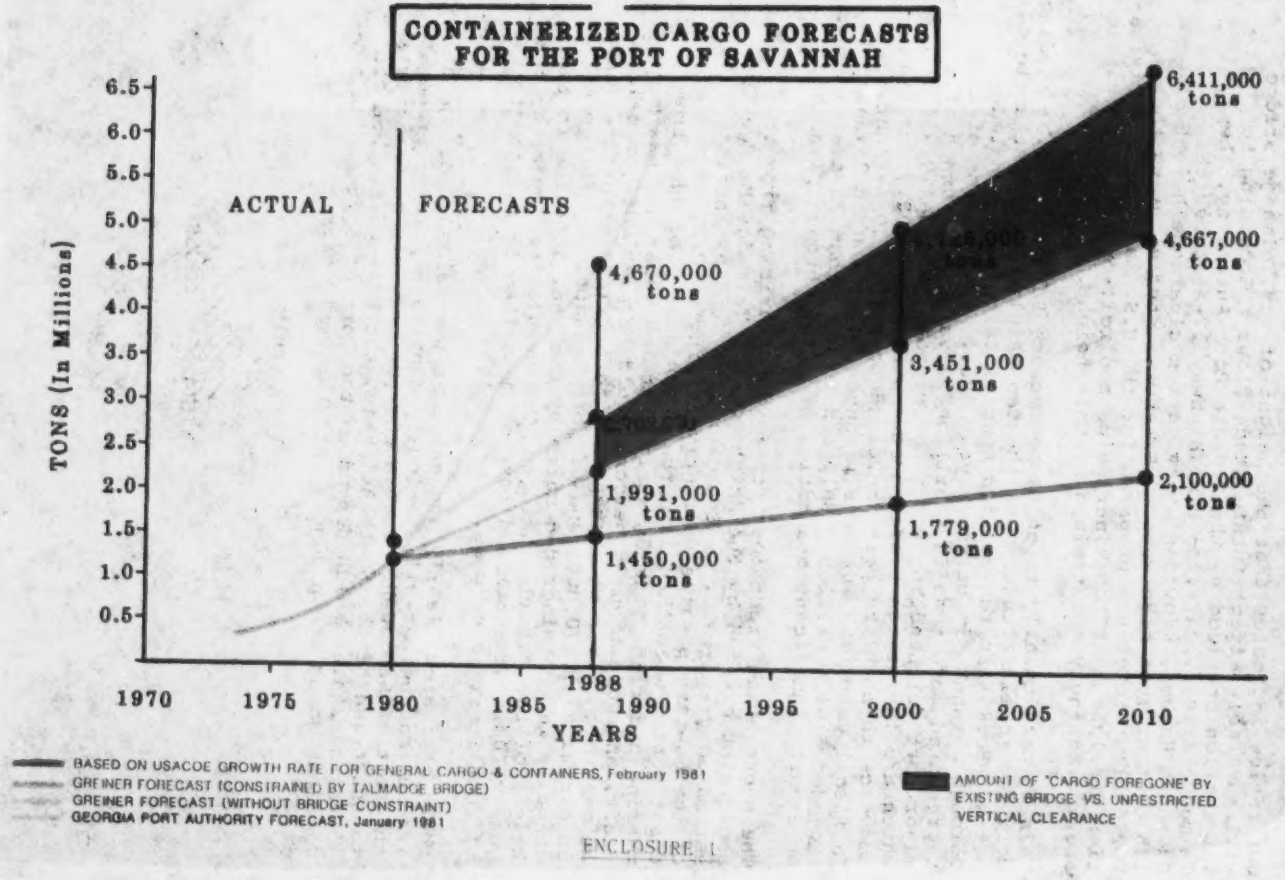
The substantial trade loss for Savannah arising from the constraint created by the height of the Talmadge Bridge is estimated graphically on Enclosure 1. Studies indicate that, of the container ships currently calling on U.S. Atlantic coast ports, more than 11 percent would be precluded from passing under the Talmadge Bridge at low water and maximum draft, and more than 35 percent would be precluded or delayed at mean high water at a standard draft. This translates into an estimated 1,270,000 tons of shipping activity foregone annually in containerized cargo by the year 2000 due to the height of the Talmadge Bridge. The cumulative impact by the year 2010 is an estimated loss of more than 36 million tons of containerized cargoes.

These estimates clearly suggest that the Talmadge Bridge at its current height will seriously constrain foreign trade at the Port of Savannah. Such a constraint would be detrimental to the trade of the South Atlantic, the East Coast, and the 25 inland states which depend on the Port of Savannah to move American goods and products into the world market.

Very truly yours,

WILLIAM E. BROCK

Enclosure



ENCLOSURE 1

1012

Letter From William T. Brown, Savannah Pilots Association

April 26, 1983

Honorable Mack Mattingly
6341 Dirksen Senate Office Building
Washington, D. C. 20515

Re: Talmadge Bridge Safety

Dear Sir:

I am offering comments from the navigational view point on the safety aspects of the Talmadge Bridge at the Port of Savannah.

At the time of completion in 1954 it was noted that the North Main Truss Pier was vulnerable to a ship/bridge collission, due to the placement near the channel.

This possibility was again noted in the 1975 Georgia Tech study wherein the recommendation was for installation of fender piling around the base of the north pier to possibly avert a ship/bridge collission, when it was deemed possible that because of the large flair at the bow of the modern vessels it would be possible to contact the bridge with the vessel's bow. These fender piling were installed.

The bridge has now become a focal point for port safety on a regularly occurring basis, and the sought after replacement would offer shippers a much safer access.

Very truly yours,

William T. Brown

William T. Brown, Master Pilot
Savannah Pilots Association

Analysis of the Economic Impact of the Talmadge Bridge on Commercial Navigation at the Port of Savannah

I. INTRODUCTION AND BACKGROUND

This report is the result of a study undertaken by Temple, Barker & Sloane, Inc. for the Georgia Ports Authority. The objective of this study was to determine the economic impact on commerical navigation at the Port of Savannah of the vertical height limitation of the Talmadge Bridge.

A previous study focused on the harbor characteristics of the Port of Savannah, the relationships between vessel sailing height and vessel size and design, and a projection of the merchant ships and their characteristics for the years 1990 and 2000. The study indicated that containership and Ro/Ro vessels would be the designs most affected by height constraints and that by the year 2000 up to 35 percent of these vessels would either experience delays awaiting tide or be excluded from calling the Port of Savannah due to the Talmadge Bridge.

This report is organized into seven chapters. Chapter II provides a brief summary of the results of the analyses conducted and the conclusions drawn. Chapter III reviews the competitive position of the Port of Savannah. Chapters IV and

V review vessel operators and cargoes, respectively. Chapter VI discusses the economic impact of the vertical height limitation of the Talmadge Bridge. Chapter VII, the last chapter, provides estimates of the current and projected cargo diverted from Savannah due to the Bridge.

Table VII-1

CONTAINERSHIPS AND RO/ROs EXCLUDED OR CONSTRAINED DUE TO THE VERTICAL HEIGHT LIMITATION OF THE TALMADGE BRIDGE

	Percentage of Total Atlantic Fleet	
	Excluded	Constrained
Mean Low Water		
Maximum Draft	11.3%	--
Standard Draft	11.3	22.6%
Mean High Water		
Maximum Draft	11.3%	14.9%
Standard Draft	11.3	21.2

The ships which are constrained experience various levels of delay from voyage to voyage depending on tidal height and vessel draft at arrival. Although 11.3 percent of existing containerships and Ro/Ros currently serving the U.S. Atlantic Coast cannot transit the Talmadge Bridge at any combination of tidal height and draft, the remaining 88.7 percent of the fleet would experience no delays if they were to always arrive at MLW and at maximum draft. Obviously, it is not possible for operators to always schedule arrival at MLW or to always have the ship at maximum draft upon arrival. In general, actual draft of containerships upon arrival is more likely to be at standard draft than at maximum design draft. Standard draft is defined herein as being approximately 70 percent of maximum design draft. For example, the average containership calling Savannah has a deadweight capacity of 23,017 short tons and a TEU capacity of 1,307. Assuming that 20 percent of total deadweight capacity, or 4,603 tons is consumed by fuel, lube oil, stores and water, the remaining 80 percent, or 18,414 tons, are available for cargo. Therefore, to bring the ship down to its marks, each of the 1,307 TEU would have to be loaded with 14.09 short tons. In actuality, cargoes handled at Savannah average 9.3 tons per loaded TEU, and 7.52 tons per TEU handled (including empties loaded on and discharged from ships). A review of the tons per TEU handled by various U.S. Atlantic Coast ports indicates that Savannah's load factor is representative of the trade. If the average ship experiences a load factor of 9.3 tons per TEU, 66 percent of deadweight capacity would be utilized. If, however, the 7.52 tons per TEU load factor (which includes empties) is indicative, only 53.4 percent of deadweight capacity would be utilized.

LETTERS FROM THE SAVANNAH PILOTS ASSOCIATION

April 4, 1980

Mr. George J. Nichols,
Executive Director
Georgia Ports Authority
Post Office Box 2406
Savannah, Georgia 31402

Re: Bridges - Savannah Harbor

Dear George:

Your recent recommendations that a high level span be built to replace the Houlihan Bridge on US 17, are well taken.

The growing shortage of real estate at the port, and the untapped potential above the present port limits offer genuine opportunities for the future and must not be overlooked.

As I have pointed out to you in previous conversations on modern ship design, and future vessel configuration, we are faced with genuine physical problems, because of the present channel depths and the clearances offered under the Eugene Talmadge Memorial Bridge of 136' 185'.

We (pilots) in recent months have had to cause redesign of two ship types who were scheduled to call at the port.

The Barber Line Ro/Ro vessels which were under construction had to be redesigned so that Savannah could be included in their ports of call.

Design of these vessels (5) was changed at considerable expense to the owners and Savannah was not permanently cut from its schedule.

Redesign of the new anhydrous ammonia tanker being built in Italy for Russian trade VIA Savannah was necessary to go under the bridge.

The USS "Savannah", named to honor our port, cannot pass under the bridge, also the USS "Luce", a destroyer in service, could not pass under the bridge at high water, and had to dock at O/T #1/2.

Several years ago, while in transit to Garden City, upon discovering that the vessel would not pass under the bridge, aborted transit and it was necessary to cut 16' from the mast to allow for passage.

Taking into consideration future expansion of the harbor and an increase of river traffic, and size of vessels, it would certainly appear that clearances of the bridge are not consistent with the natural growth of a rapidly developing major harbor in the southeastern United States.

Very truly yours,

William T. Brown,
Master Pilot

June 1, 1981

Mr. John B. Cronin, General Manager
Carolina Shipping Company
Post Office Box 1232
Savannah, Georgia 31402

Re: Orient Overseas Line
"D" Class Vessels

Dear Mr. Cronin:

On board M/V "Oriental Diplomat" on Sunday May 17th., 1981, I expressed concern in handling "D" class vessels at the port due to the necessity of their passing under the "Eugene Talmadge Memorial Bridge", 136' above mean High Water.

Subsequent agreements to handling of the next scheduled vessel were that the pilots would bring these vessels to Georgia Ports Authority Container Central at Garden City, and pass beneath the span with a maximum of 30' drafts at low water, to accommodate the 141' Air Draft.

This proceedure was followed in handling the M/V "Oriental Governor" on the 27th. of May. Experience with this vessel provided information that these twin screw variable pitch propellers do not steer well at low speeds, and the recommended tug assistance was necessary in order to facilitate the turn prior to passing under the bridge on the inward passage of M/V "Oriental Governor".

Experience with large vessels calling at the port would provide that for orderly, efficient turnaround a keel to truck dimension of not more than 165' with telescoping or hinging capability. (Enclosure GPA Bulletin).

My recommendation would be that these vessels be modified for service into Container Central of Georgia Ports Authority.

Very truly yours,

William T. Brown

William T. Brown,
Master Pilot

Enclosure:

LETTER FROM FREEMAN G. CROSS, JR., GEORGIA PORTS AUTHORITY

Temple, Barker & Sloane, Inc.
33 Hayden Avenue
Lexington, Massachusetts 02173

May 27, 1981

Re: Bridge Height Restriction
on Orient Overseas and
Korea Lines vessels

Regarding the ongoing study of Bridge Height, I enclose copies of news articles and an Editorial concerning the Oriental Diplomat container ship that could not negotiate Talmadge Bridge and had to tie up at Berths 1 and 2 at Ocean Terminal below the bridge. This berth is not equipped or suitable for handling large numbers of containers. I also enclose an article and a memo on a previous striking of the bridge by the Korea Wonis 7 vessel.

The Orient Overseas line has four container vessels (characteristics and dimensions enclosed) and the Korea Line has an additional four container

ships. These lines working together provide a weekly container ship service to Savannah that has been jeopardized by the bridge height. The Savannah Pilots' Association now restricts these vessels to passing under the Talmadge Bridge at mean low water and 30' draft. Depending on the vessel, the capacity of 11,000 tons or more each trip is lost. As the lines provide a weekly service now, the constraint due to the Talmadge Bridge height on these vessels causes yearly the loss of more than 500,000 tons capacity and the lines have threatened to cease service to Savannah. This is but one example of the effect of bridge height on modern container service to the Port of Savannah.

I trust this information will prove useful in the study.

Sincerely,

FREEMAN G. CROSS, JR.
Director, Port Planning
and Harbor Development

P.S. Specific example of delay caused by the MLW restriction for passing under the bridge is the Oriental Governor which arrived off Savannah Bar Channel about 2200, Sunday, May 24th. The first time it could start up the Bar Channel and into the Harbor was at 6:30 A.M., Monday, May 25th so as to reach the bridge at low water. However, another line's container ship came in that could move up the Harbor and the Oriental Governor lost her "berth slot" and was not able to proceed upriver until 2030, Monday, May 25th. This almost 24 hour delay and the Coast Guard imposed requirements for tugs in continuous attendance when approaching the bridge greatly increases costs to Orient Overseas Line.

YEAR				T.E.U.	OAL	GROSS	BEAM	MAX DRAUGHT	HEIGHT-KEEL TO TOP OF VESSEL
1972	ORIENTAL DIPLOMAT	Ex:	ASIA FREIGHTER	1632	799'	30,909	101'	36.12	MAST - 171'
1972	ORIENTAL ~~DIPLOMAT~~ CONSENDE	Ex:	EUROLINER	1886	799'	30,909	101'	35.11	STACK/MAST - 171'
1972	ORIENTAL ~~DIPLOMAT~~ MINISTER	Ex:	ASIALINER	1632	799'	30,909	102'	35.11	MAST - 171'
1972	ORIENTAL ~~DIPLOMAT~~ KNIGHT	Ex:	EUROFREIGHTER	1886	799'	30,909	101'	35.12	STACK/MAST - 171'

Senator ANDREWS. Thank you, Senator, for an excellent statement.

Let me point out that while Senator Stennis and I have only two votes on this subcommittee, and you have made a most compelling case, I think you should know that what we can do depends a great deal on what happens to that budget resolution on the floor of the Senate next week.

If we are cut back on domestic spending from the figures that are in that budget, then of course we have much less discretion to take care of much needed projects such as your own.

Let me also point out that the budget resolution cuts us back from the amount of money that is going into that fund from this increased gas tax. Now, we had a considerable fight in the Budget Committee, on which I serve, about spending and deficits and all of that. We got a lot of press on the domestic spending figures that we put in.

Even though we added some $400 to $500 million more than that over the President's budget estimate for transportation, we are still far under what that money would be. We may want help, but we may not be able to help if that budget resolution ever gets cut in some of these areas or even if we keep the same figure that we have.

We have a problem. No one knows that better than the Senator from Georgia.

Senator MATTINGLY. In fact, all three of us serve on the Appropriations Committee. I am well aware of that.

Also I am sure there may be some programs that will have to be stretched out further than had been proposed that could fit into the constraints of the new Federal budget.

Senator ANDREWS. We will take a close look at it. We recognize the need is great.

Senator Stennis.

Senator STENNIS. I can't add anything to what has been said by you and Senator Mattingly. I am interested in his problems. To use an old phrase, I will do what I can.

Senator ANDREWS. Mr. William Mahoney and Lawrence Mann from the Rail Labor Executives' Association.

Let me assure you that your statements will be included in the record as if read.

RAILWAY LABOR EXECUTIVES' ASSOCIATION

STATEMENT OF WILLIAM MAHONEY

ACCOMPANIED BY JOHN CLARK

Mr. MAHONEY. With me is John Clark who conducted the discussions with the Department of Transportation on the schedule of benefits which were directed by the Congress to be negotiated between the union representatives of employees on the Rock Island and the Secretary of Transportation.

As you know, attempts have been made three times by the Congress to aid the destitute employees of the Rock Island. The courts and the

trustee of the Rock Island have refused all aid to these people and there plight is now quite desperate.

The Congress most recently acted, with the approval of the administration, a grant authorization of $35 million together with a protective formula to be agreed to by the unions and the Secretary on or by April 14. If no such agreement was reached then, it was to be imposed by the Secretary of Transportation by May 14.

The Secretary of Transportation and his staff have been most cooperative in trying to work this out with the unions. I think the thing has been worked out. There could be no agreement as such, however, because many of the unions' constitutions require ratification and there simply is no opportunity and time for ratification.

I understand that either today or tomorrow, Friday at the latest, that a schedule of benefits for protection of Rock Island employees will be released by the Secretary of Transportation.

As I say, Congress with the approval of the administration three times tried to aid these people. This time it is a $35 million grant authorized and we ask you to approve its appropriation.

On the second note, Amtrak, since 1971 with continuing assistance from the Congress and employees of Amtrak that railroad has made astounding strides, as you know. Its future promise is bright.

We ask that its full request of $649.2 million be granted. This will enable Amtrak to continue its splendid progress and to keep its contractual obligations to its employees.

Thank you very much. We appreciate this opportunity to be here in place of Mr. Snyder who is unavoidably absent from the city.

[The statement of Mr. Snyder follows:]

STATEMENT OF JAMES R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE, RAILWAY LABOR EXECUTIVES ASSOCIATION

My name is James R. Snyder. I am the Chairman of the Legislative Committee of the Railway Labor Executives' Association. My office is located at the Railway Labor Building, 400 First Street, N.W., Washington, D.C. On behalf of the nation's railroad employees whom we represent, I would like to express our appreciation to the Subcommittee for this opportunity to present to you our views both on the need for the appropriation of sufficient monies to fund the employee assistance program which the Congress recently authorized for adversely affected Rock Island employees, and on the appropriations necessary to the continuing success of an ever improving Amtrak system.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of virtually all of the standard national and international labor unions which represent railroad employes in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

American Railway & Airway Supervisors Association, Division of BRAC
American Train Dispatchers Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline & Steamship Clerks
Hotel & Restaurant Employees and Bartenders International Union
International Association of Machinists And Aerospace Workers
International Brotherhood of Boilermakers & Blacksmiths
International Brotherhood of Electrical Workers
International Brotherhood of Firemen & Oilers
International Longshoremen's Association
International Organization of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Association
Railroad Yardmasters of America
Sheet Metal Workers' International Association
Seafarers International Union of North America
Transport Workers Union of America
United Transportation Union

17-540 O—84——65

I appear here today to request that this Congress honor a commitment that the 97th Congress and the President recently made to Rock Island employees who have suffered severe hardships as a result of the demise of the Rock Island Railroad and to provide sufficient funding for Amtrak to continue its superb progress while honoring its constitutional obligations to its employees.

As you are aware, on January 14, 1983, the President signed into law the Rail Safety and Service Improvement Act of 1982 (Pub. L. No. 97-468) which amended for a second time the Employee Protection Program which Congress had previously enacted as an integral part of the Rock Island Transition and Employee Assistance Act (RITA), Pub. L. No. 96-254. Section 231 of the Rail Safety and Service Improvement Act required that rail labor and the Department of Transportation devise an agreement to provide benefits to adversely affected Rock Island employees. Section 504(c)(2) of that Act authorized up to $35,000,000 to be appropriated "to the Secretary [of Transportation] to be allocated for employee protection under section 106" of RITA. We request that the Congress appropriate the funds required under that authorization to fund the employee protection program under Section 106.

Shortly after it became apparent in 1980 that the Rock Island would never be reorganized as an operating railroad, Congress enacted RITA to provide for an orderly transfer of Rock Island's lines to other rail carriers. When it was considering that legislation, Congress was well aware that the fair and equitable treatment of employees was an essential ingredient to the orderly transition of Rock Island services. Congress was also aware at that time that existing law, in particular Section 17(a) of the Milwaukee Railroad Restructuring Act, required the Rock Island Estate to provide protective benefits to Rock Island employees who might be adversely affected by the liquidation of the estate since it was obvious that the Rock Island Trustee and major creditors would vigorously dispute any expenditure of funds

from the Estate to aid adversely affected employees. Congress enacted Section 106 of RITA which affected a compromise of traditional protection requirements and the Trustee refused all aid to employees. That Act required the immediate implementation of its employee protection program "so that payments to Rock Island employees will be made forthwith, notwithstanding any ensuing litigation concerning such payments" H. Rpt. No. 96-1041 96th Cong. 2nd Sess. at 26, 1980. As the conferees to that legislation indicated the conferees believed that the employee protection program was "essential to provide for an orderly transition." Id.

Unfortunately the Rock Island Reorganization Court declared that program to be an uncompensated taking of private property for public purpose and enjoined its implementation. Rail labor asked the Supreme Court to set aside that injunction while the constitutionality of that program was litigated but the Supreme Court by a vote of four to three refused to stay the Reorganization Court's injunction.

Congress did not let matters rest but rather, re-enacted Section 106 as part of the Staggers Rail Act of 1980, Pub. L. No. 96-448. The Staggers Rail Act amendments required the Rock Island estate to set aside $75 million dollars for the benefit of adversely affected Rock Island employees. That Act also sought to correct the deficiency which Justice Stevens had perceived in the Act, by specifically providing that "nothing in this Act shall limit the right of any person to commence an action in the United States Court of Claims under section 1491 of title 28, United States Code (commonly referred to as the Tucker Act)". By that legislation, Congress once again sought to provide immediate protective benefits for needy Rock Island employees. Moreover in light of the uncertainty as to the constitutionality of such a requirement, the Congress expressly provided that if the Act were subsequently found to be unconstitutional, the United States would bear the liability for the benefits that it believed the public interest required be made available to affected Rock

Island employees. In short, it removed the deficiency complained of by Justice Stevens.

The Staggers Rail Act was signed into law on October 14, 1980, and within days after it was enacted, the Rock Island Reorganization Court declared it to be unconstitutional as being an uncompensated taking of private property for public purposes. In December 1980, the 7th Cir. affirmed that decision by an equally divided court. And finally, in March, 1982, the Supreme Court of the United States sounded the death knell for the employee protection program of RITA by declaring that program to be unconstitutional as a nonuniform bankruptcy law.

Congress, however, did not abandon the Rock Island employees. Shortly after the Supreme Court issued its decision in 1982, the 97th Congress began to consider re-enacting protections for Rock Island employees. Finally in the last day of the 97th Congress the Bankrupt Railroad Service Preservation and Employee Protection Act of 1982 was enacted as part of the Rail Safety and Service Improvement Act of 1982. Section 231 of that legislation re-enacted Section 106 of RITA and provided that rail labor and the Secretary of Transportation were to attempt to "enter into an agreement providing protection for employees of the Rock Island Railroad who are adversely affected as a result of a reduction in service by such railroad." If labor and the Secretary were unable to reach an agreement by April 14, 1983, then the Secretary was to promulgate within thirty days thereafter a schedule of benefits for employee protection. As I had previously stated, the 97th Congress also provided in that legislation that $35 million dollars should be appropriated to fund that program. And as I have stated before, on January 14, 1983, the President of the United States signed that bill into law.

The immediate implementation is desperately needed by Rock Island employees. In 1978, the Trustee employed 10,749 people to operate the Rock Island; 6,389 of those employees had been employees of the Rock Island for ten years or more and 1,590 of

them had been with the Rock Island with 30 or more years. By December 1979, the number of Rock Island employees had declined to 8,407. By June 1980, only 2,641 Rock Island employees were operating services previously performed by the Rock Island. Also by June of 1980, 2,557 former Rock Island employees were drawing railroad unemployment insurance benefits. By September 1980, that number had increased so that more than 3,700 Rock Island employees were receiving railroad unemployment insurance benefits. More than 6,000 Rock Island employees have been unemployed for various periods of time as a result of the demise of Rock Island railroads and RLEA estimates that between 2,000 and 3,000 of those employees have been unable to find other employment since 1979. Indeed, according to the Railroad Retirement Board, Rock Island employees together have claimed more than 1,476,000 compensable days of unemployment in the period of 1979 through 1982. Those employees needed the aid of Section 106 of RITA in order to exist and become once again productive members of our society. Shortly after the President signed the latest Rock Island employee protection program into law, representatives of rail labor met with the Department of Transportation to begin negotiations to implement that program. Because of many unions' constitutional requirement that agreements must be ratified, Rail Labor was not able to enter into an agreement with the Department of Transportation within the time frame established by the Act. Rail Labor and the Department are in substantial agreement as to the substance of the benefit schedule to be promulgated under that Act. Unfortunately, we are sad to note that the Administration has not yet indicated that it will request the funding necessary to implement this program. However, we trust that this Congress will carry out its prior and present commitments and provide the appropriation of funds necessary to implement its program of aid to these employees.

RLEA, therefore, requests that this subcommittee include in

the appropriations for the Department of Transportation $35,000,000 to be used for funding the benefits to be provided under Section 106 of RITA. We also ask that this money be "no-year money" so that it will remain available for complete funding of this program with the need for further action by Congress.

RLEA also requests that this Committee provide additional funds for the Administration of this program by the Railroad Retirement Board. When Congress first passed RITA in 1980, it included in Section 109(a) of that Act an authorization for an appropriation to the Railroad Retirement Board of $1,000,000 to administer the employee protection program under RITA. Congress also included as Section 119 of that Act a New Career Training Assistance program which the Board was also to administer. On October 9, 1980, Congress appropriated $1,500,000 for New Career Training Assitance under that Act (Pub. L. No. 96-400), but because of the litigation over the constitutionality of RITA's employee protection program, no funds were ever expended by the Board under that authorization. Section 119 of RITA was repealed by the recent legislation enacted in January 1983 and the program to be implemented by that provision was subsumed into the employee protection program of Section 106. Consequently, the Board has in its account $1,500,000 in appropriated funds as of now, but they are unauthorized funds. We suggest that $1,000,000 of those funds be designated for use by the Board under Section 109 of RITA to administer the employee protection program.

A second reason for our appearance before you today is to request that the full appropriation necessary for the continued excellent performance of Amtrak be made, including funds sufficient to cover the contract obligations of Amtrak to its employees.

Thank you.

STATEMENT OF LAWRENCE M. MANN

Mr. MAHONEY. I would like to introduce Mr. Mann.

Mr. MANN. I am Lawrence Mann, Mr. Chairman. I am going to direct my attention to the rail safety aspect of the Federal Railroad Administration.

Very briefly with respect to the budget proposal of FRA there are several points which we hope you will continue, as in past years, that the FRA has attempted to change or delete.

First, the FRA is attempting to consolidate its research and development appropriation into the overall budget of FRA. We strongly feel that you should continue the method which has been accomplished in all the prior years and that is keep a separate line item.

If you want to maintain some objectivity of research and development at FRA, I think this is very important. Moreover, it gives you an opportunity for better oversight to know just what they are doing in the area of research and development.

Second, as you have done in past years, you have earmarked funds for travel inspectors. Each year Congress has done this even though the FRA does not come in and request it. In years past you have earmarked 20 days per month per inspector. We hope you will continue that.

Last year for the first time Congress deleted the funds for State enforcement programs under the cooperative approach that was enacted in 1970. This is a very serious matter that can only be accomplished with the help of the Federal Government. That is, you are getting $2 worth of inspection effort for $1 of Federal money because the States contribute 50 percent of these funds. We hope that you would reinstate that.

In addition, there is a labor-management program that has been continuing at the Federal Railroad Administration for cooperative projects such as Houston, getting cars and trains through these terminals. Conrail has a project. New England has a project. There are several around the country which we hope you can continue.

Just one final point, Mr. Chairman. In effect the Federal Railroad Administration has something called system railway management, this is a method of nonenforcement. We brought it to the attention of the committee last year.

The feeling of the committee was wait and see. We have had 1 year to deal with it. We can tell you without any equivocation that it is a serious situation. For example, in the area of track inspection, the Federal inspectors last year discovered 138,000 defects in tracks. They have sought penalties in only 60 cases. Now this permeates every aspect of the rail safety enforcement.

I won't take the time to go into it. Our statement directs your attention to it. I hope we can get some action and help from your committee on that.

Thank you.

Senator ANDREWS. Thank you very much.

Are you aware of any supplemental request to be sent to Congress on the Rock Island?

Mr. MAHONEY. No, Mr. Chairman, I am not.

Senator ANDREWS. Senator Stennis?

Senator STENNIS. Nothing further. It is very interesting testimony.

Senator ANDREWS. Thank you very much.

[The statement of Mr. J. R. Snyder follows:]

STATEMENT OF JAMES R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE, RAILWAY LABOR EXECUTIVES ASSOCIATION

My name is J. R. Snyder. I am the National Legislative Director of the United Transportation Union. I am appearing today as Chairman of the Safety Committee of the Railway Labor Executives Association. Accompanying me is Lawrence M. Mann, attorney for RLEA in this matter. The RLEA represents all of the crafts of railroad workers in this country, and the names of the constituent organizations are as follows:

American Railway and Airway Supervisors Assn.
American Train Dispatchers Assn.
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees
Hotel & Restaurant Employes & Bartenders Int'l. Union
Int'l. Assn. of Machinists and Aerospace Workers
Int'l. Brotherhood of Boilermakers and Blacksmiths
Int'l. Brotherhood of Electrical Workers
Int'l. Brotherhood of Firemen & Oilers
Int'l. Longshoremen's Association
Int'l. Org. of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Assn.
Railroad Yardmasters of America
Sheet Metal Workers' Int'l. Assn.
Seafarers Int'l. Union of North America
Transport Workers Union of America
United Transportation Union

As in past years we sincerely appreciate the privilege afforded RLEA to present our views on the proposed budget for the Federal Railroad Administration. First, I would like to provide you with a summary of the safety activities by FRA, and to pinpoint any trends that we observe in FRA's enforcement activities. Railroad employment during the past eighteen months has decreased approximately 25% from July, 1981 to January, 1983. There was a decrease from 514,000 employees to 388,000 employees. With the reduction in employment one would expect to find a corresponding reduction in the accidents, injuries and deaths because of the reduced exposure. However, the on-duty employee fatalities actually increased from 62 in 1981 to 72 last year. In 1982 there were 36,759 injuries to railroad employees, which

is close to 10% of the work force. Grade crossing fatalities continue to be the largest category of deaths in the railroad industry. Last year there were 595 persons killed at crossings and 2,660 injured. While there are some injuries and deaths at crossings that a railroad cannot prevent, a large majority would have been prevented by requiring the railroad to properly maintain crossings, as well as equipping them with flashing lights and gates. It is ironic that injuries and deaths at grade crossings are the highest of any other category, yet there are no federal regulations requiring the testing, inspection and maintenance of such grade crossings.

A trend which must be reversed at FRA is in the lack of enforcement of the various rail safety statutes and regulations. There has been a drastic reduction in the number of violation reports filed, even though there are numerous defects uncovered by the federal inspectors. For example, in 1982 the federal inspectors discovered 31,305 defective motive power and equipment. However, only 489 violation reports were filed. With respect to locomotives, the federal inspectors found 10,471 defective units, but submitted only 126 violation reports. Track defects continue to be one of the highest causes of train accidents; however, amazingly out of 138,267 track defects, only 60 violation reports were submitted in 1982. As can be readily observed, the FRA's System Safety Plan is resulting in little or no enforcement. This may not show up in the immediate statistics of accidents, injuries and deaths; however, in a very short period of time the effects of non-enforcement will become readily evident. The railroads will obviously become less and less concerned about federal enforcement and compliance with the safety standards. Rail labor has worked too many long and hard years to achieve safe railroad operations to sit back idly while FRA pursues its course of non-enforcement.

Another closely related aspect of FRA's enforcement was discussed in a Comptroller General's report dated April 19, 1982.

The report is entitled "The Federal Approach to Rail Safety Inspection and Enforcement: Time For Change". The Report at pages 25-31 focuses on reasons why the civil penalties have not been an effective deterrent to violations. In summary it states:

> FRA's safety program needs the civil penalty enforcement tool. The effectiveness of the civil penalty, however, is being adversely affected by the length of time taken to process violation reports and the lack of feedback given on violations' status to all offices involved in the system. Further, both FRA headquarters and regional office management lack the necessary controls to assure that proper disposition is made of all violations. These problems might be diminished, but not eliminated, by FRA shifting its efforts to more broad-based system assessments.

At the present time it takes 20 months on the average to settle a violation. Obviously this eliminates any effective deterrent impact.

FRA's new budget request contemplates consolidating all of the salaries and expenses, including contractual support, except railroad safety, into one line item appropriation. Our main concern is the lumping of research into this one fund. A similar approach by FRA was made last year, and Congress recognized its pitfalls and declined to adopt such a proposal. Rail safety research has always been treated by Congress as a separate line item. Indeed it should be if Congress and the public are to be properly informed on the research projects of FRA. The problem is obvious in that many worthwhile endeavors would become lost in the overall operations of FRA. For example, by absorbing railroad research and development into an overall appropriation the FRA could divert research funds to other areas of the Administration's program. Moreover, it would become increasingly difficult to ascertain what safety research related activities are being conducted by FRA. FRA recognizes that the research and development office's primary role is to support FRA safety function. Since this is the recognized role for the research and development office, then the safety functions of such office should not be lost in the shuffle. The fact that Pueblo Test Center has

been transferred to the Association of American Railroads does not eliminate FRA's role in railroad safety research and development. Until the FRA involved itself in substantial research and testing subsequent to the enactment of the Federal Railroad Safety Act of 1970, the federal government relied almost exclusively on the railroads for safety data. The reliability of such information caused great concern because the railroads felt the information would be used as the basis for potential federal standards. As it relates to the safety of our nation's railroads, the fox must always be kept out of the chicken coop. Otherwise we would be getting back to the same position as we were prior to 1970. Therefore, we strongly urge that you retain a separate appropriation for railroad research and development funding.

With respect to FRA's overall request for railroad safety, it does not anticipate changes in permanent positions even with a net decrease of $1,486,000 from the FY 1983 appropriation. The Administration proposal seeks $26.5 million for the FY 84 rail safety appropriation. We feel there is a need for many more safety inspectors to enforce the safety laws. As of March 1, 1983 the FRA had on board 275 safety inspectors classified as follows: 98 motive power and equipment, 49 operating practices, 72 track, 29 signal and train control, and 27 hazardous materials. In addition there were 47 supervisors in the field, which is one for every five safety inspectors. With that staff FRA is required to inspect approximately 300,000 miles of track, 28,000 locomotives, 1.5 million freight cars and 125,000 miles of signal systems. These statistics of track and equipment may be lower now due to economic conditions. The digest of the April 19, 1982 Comptroller General's Report which we cited last year is worth repeating:

> Nearly one-half the Federal inspectors are generally unable or never able to cover their territories. Some inspectors believed it would take them 3 to 5 years to cover their territories, and others acknowledged that some major facilities and inspection points

had not been inspected by Railroad Administration inspectors in years.

Factors contributing to the inspectors' inability to cover their territories include:

--Lack of consistency in the size of the inspectors' territories.

--Vacant inspector positions.

--Unreliable railroad inspection records.

The House Committee on Energy and Commerce, where these authorizations originated, has followed the rail safety situation and FRA's performance closely over the years. That Committee has repeatedly emphasized the need for more inspectors.

Every year your Committee is faced with practical budget limitations. Still you have consistently provided for some increases in the number of inspectors. We believe that appropriations for all authorized positions are essential if FRA is to have the ability to reduce rail accidents by enforcing its regulations systematically and thoroughly. As we have pointed out in the past appropriating funds for fewer than 600 inspectors is an inadequate response to the railroad safety problem. An appropriation for these federal inspectors will be cost effective. It would reduce the high property damage figure, and, more importantly, would help eliminate the high costs and human suffering attributable to the many injuries and deaths which are occurring on the railroads.

Rail labor again this year urges your Committee to recommend earmarking specific funds to provide 20 days each month for travel for each inspector employed by FRA. The essence of the inspector's function is to travel to the location where railroads operate and inspect these locations. The travel money for safety inspectors has been depleted prematurely many years running because FRA never seeks an adequate amount. The per diem costs have risen, the car travel expenses have increased, and the areas required to be inspected have expanded.

The budget request does not seek funds for the state safety

inspection program and the automatic track inspection program. We strongly urge the Committee to restore those funds which were first depleted in last year's budget. The need for the state safety inspection program is even more significant now that FRA's federal inspection has been downgraded, as reflected by the numbers of defects found versus the violation reports that were filed. The states which have invested substantial time and effort in establishing effective state enforcement programs are now left out in the cold. The states relied on the Congressional direction in 1970 that there would be matching funds for state rail safety enforcement. Now all of a sudden because of certain influence with FRA, the Association of American Railroads has prevailed in its long pending attempt to oust the states from any effective enforcement program. Without federal matching funds, it is obvious that many states will have to drop their certifications and/or agreements to enable states to assist the federal government in rail safety enforcement.

Finally, I would like to discuss the accomplishments of railroad labor and management through the support provided by FRA's Labor/Management Program which has indeed been remarkable. The joint Labor Management Program on the Milwaukee Railroad has played a large role in that railroad's ability to survive during some hard economic times. The New England Labor Management Task Force presently has ten meaningful experiments underway which are retaining and attracting business and jobs which might not have otherwise materialized. The Labor Management Program on Conrail has received enthusiastic support at the working level, where managers and employees are active in joint problem solving exercises across Conrail's system.

With a solid commitment of local labor and management, the Houston Terminal Project, probably the most successful effort, has helped modernize rail operations within that terminal by eliminating many bottlenecks and improving operating procedures. We understand that the Joint Economic Committee (JEC), under the

chairmanship of U.S. Senator Roger Jepsen, has scheduled a JEC hearing in Houston in May of 1983, to discuss the accomplishments of this project. The committee is particularly pleased with the efforts in Houston to improve grain car handling and reduce port congestion through the Terminal Information EXchange System and the Planned Rail Traffic Control Project.

With such a good track record, we are somewhat puzzled at FRA's recent efforts to retrench its support of these programs. This retrenching is evidenced by significant reductions in funding for the Houston and New England efforts. While there may be some rationale for the industry adopting these programs completely, FRA fails to recognize the need for a neutral party assisting the projects as they explore new procedures with respect to rules, operating and safety practices and basic human resource management issues like alcohol and drug abuse. We would recommend that this subcommittee encourage FRA to rethink its current policies with respect to this program. Hopefully your Committee will appropriate at least the same sums as were funded last year, even though much more is needed.

American Association of State Highway and Transportation Officials

STATEMENT OF WILLIAM T. DRUHAN, PROGRAM DIRECTOR

Senator Andrews. The next witness is Mr. William Druhan, program director of the American Association of State Highway and Transportation Officials.

Mr. Druhan. Thank you, Mr. Chairman.

On behalf of the association, we appreciate very much your allowing us to testify this morning. We are here on four separate programs.

The local rail service assistance program, the 403(b) the States share for trains for Amtrak, the 505 and 511 programs, as well as the State participation program for safety which Mr. Mann just mentioned.

We are asking that appropriations be given in the amount of $80 million for the local service assistance program and that the States not be obligated to increase their share of the 403(b) trains, that $3 million be appropriated to the rail safety inspection program and that adequate funding be continued for the section 505 preference share program and loan guarantee program.

Mr. Chairman, one of the problems with these four programs, all of which are slated for extinction by the administration's budget, is the

fact that they are so small that nobody wants to consider them. They don't have time to talk about a $3 million rail safety inspection program.

What we would like to emphasize is that the size of the program is not indicative of what they are doing for the States.

The local rail service assistance program is extremely important to your State. The program was appropriated $20 million last year. North Dakota alone indicated that they need $80 million just to fix one-third of the Burlington Northern lines.

They also would like to have certain projects on the Soo line which they can't even consider because of the small amount of money that North Dakota gets. But North Dakota is appreciative of the fact that it receives much more money than most States. It receives almost $500,000, whereas 27 States receive only $200,000.

Senator ANDREWS. Don't mention that or I will get in trouble.

Mr. DRUHAN. Sir, it is by formula. It has nothing to do with anyone or a collection of individuals. It is based on formula and based on your needs.

Senator Stennis' State of Mississippi is a great State in great need. Last year the Congress recognized the need for this money and granted an extra $750,000 to overcome that and yet the administration today is using Mississippi as one of the States that has done so well that we can now eliminate the program.

In the limited time I have, Mr. Chairman, I also understand after my formal testimony was submitted that one of the questions the committee has is in regard to the difference between when funds are committed, when they are obligated and when they are expended.

The committee inquiry is how much is involved there and why the long time. I would appreciate, if this is a problem with the committee which is influencing you so that you would not want to grant the funds, if you would have the staff contact me so that I may explicitly indicate what the problems are by State, collectively or individually.

These problems to a large extent are created by the fact that the program is so small. It takes longer to spend a little money than it does a lot of money.

The reason is that the States are leveraging their small amount of money for the projects. When you have $200,000 and it costs $250,000 per mile and you have 1,000 miles to fix, it takes a long time to get the community, the railroads, the shippers, and everybody else to come up with their share.

In short, the Federal money is seed money and it takes a long time for those flowers to bloom. Every one is a cost-effective project. There is also money that is going to be spent for the rail safety—I won't go into that because Mr. Mann did similar to the Amtrak provision.

The States feel that they are giving their fair share based on the cost. The formal testimony goes at great length into why they believe that is so. The administration has a misconception of what those trains are. They are not short distance trains that are being run for the benefit of one little State or anything like that.

We can show you an example which is in the formal testimony where the 403(b) trains are performing better than the trains in the basic system.

The light is on, Mr. Chairman, so I will conclude.

Senator ANDREWS. Thank you very much, Mr. Druhan, for an excellent statement.

Senator Stennis.

Senator STENNIS. Mr. Chairman, may I say one sentence?

I thank the witness for his complimentary remarks about myself, and the chairman, too. I want to assure everyone for the record that they were unrehearsed.

Mr. DRUHAN. This is true.

Senator ANDREWS. Unrehearsed, but typical of the great distinguished senior Senator from Mississippi.

Mr. DRUHAN. Thank you very much.

[The statement of Mr. Druhan follows:]

STATEMENT OF WILLIAM T. DRUHAN

Mr. Chairman, I appreciate very much the opportunity to appear here today to express the Association's views on a number of rail issues. Specifically, I would like to express our opposition to the Administration's proposals that for fiscal year 1984: (1) no funding be provided for the Local Rail Service Assistance Program, (2) the states be required to pay 100 percent of the long-term avoidable costs, i.e., the entire operating cost, of Amtrak trains presently partially supported with state funds (the so called Section 403(b) trains), (3) no federal funding be provided for the State/Federal rail safety program, and (4) the Redeemable Preference Share Program and the Loan Guarantee Program be permitted to expire.

We are requesting (1) an appropriation for the Local Rail Service Assistance Program in the amount of $80 million, (2) rejection of the Administration's proposal to increase the states' share for Section 403(b) trains, (3) an appropriation of approximately $3 million for the continuation of the joint State/Federal rail safety program, and (4) additional funding of the Section 505 Preference Share Program and continuation of the loan guarantee program to the extent of the remaining unfunded authorization.

Although I am presenting AASHTO's views, I wish to point out that the National Governors' Association in its winter meeting in Washington, D.C., on February 28, 1983 unanimously endorsed an amendment to its Transportation, Commerce and Technology Committee work plan to "secure adequate funding to continue the Local Rail Service Assistance Program, Preference Shares Program, and federal/state partnership in rail safety." And also, "monitor reauthorization of Amtrak legislation to secure sufficient funding for the national system and for state assisted routes." Although "adequate funding" is not specifically defined within these unanimously adopted endorsements, it is noted that the lead governor report upon which these endorsements were based indicates that with regard to the Local Rail Service Assistance Program, "to continue this program at a viable level, Congress should annually appropriate $80 million for the next three years to allow states to accomplish their goals." With regard to the Redeemable Preference Share Program, the report states that,"Applications on file with the Federal Railroad Administration exceed available funding by $400 million. Congress should fund this program to authorized levels." The necessity for this funding is supported in the report by the statement that, "All regions of the country still have major issue areas including financing, track rehabilitation, return of Conrail to the private sector, railroad mergers, railroad/highway grade crossing, hazardous material transportation, rail safety and retention of railroads in the private sector."

Obviously the federal government must recognize its responsibilities in these areas and acknowledge that the continuation of the federal rail programs at these modest levels is extremely important to the future of rail transportation.

The states are cognizant of the fact that there are limited available federal funds for transportation as well as other items in the federal budget. Nevertheless, the amounts requested are comparatively extremely modest and could not be considered as "budget busting." Clearly, the financial impact on the federal budget is minimal when compared to the benefits to be received from preserved and improved rail transportation. In this regard I might point out that the United States is the largest contributor to the World Bank and that in the last two years it has contributed $590 million to finance railway systems in nine foreign countries. Each of these countries received more funding than the entire Local Rail Service Assistance Program. Bangladesh, for example, received $25 million whereas all of the states combined received only $20 million.

Local Rail Service Assistance Program

The Local Rail Service Assistance Program was established by the Regional Rail Reorganization Act of 1973 to provide financial support to the states for the continuation of rail freight service on abandoned light density lines in the northeast. The Railroad Reorganization and Rehabilitation Act of 1976 expanded the program to all states. In 1978 the program was amended to

provide capital assistance for rehabilitation and improvements before, rather than after, abandonment. In 1981, the program was further amended to specifically prohibit the use of funds for operating subsidies. Through fiscal year 1983, appropriations for the program have totaled $440 million.

Since inception, this program has been a catalyst in providing state rail plans on a uniform basis, and assistance for transportation problems. The program has considerably enhanced the economic wellbeing of innumerable communities beyond what could reasonably have been expected considering the limited amount of funds provided by the federal government.

Failure to appropriate funds for this program would result in the complete demise of the program in many states. AASHTO believes that such an action is patently unfair because the federal government shares in the responsibility for the problem and therefore should share in the cost of alleviating the problem. Also, contrary to statements made by Administration officials, the problems this program has been designed to alleviate have not been eliminated but rather are continuing and in many instances the situation has been exacerbated by the federal government.

Termination of the program at this time would destroy the uniformity and cohesiveness among the states developed over the past decade for the purpose of solving national branchline problems. The Local Rail Service Assistance Program is the stylobate upon which the state rail programs are built. The programs provide a uniform and timely planning process which is essential to the states individually and collectively. Both the federal and state governments have a role in solving national branchline problems and neither can abdicate its responsibility.

Mr. Till, Deputy FRA Administrator, testified before this subcommittee with regard to this program that "15 states have developed their own funding sources in excess of the funds available in the federal program which certainly is a sign that states are moving in the right direction." The fact that these states have developed this funding is a manifestation of their responsibility toward solving the problem and not a reason to discontinue the program or to disenfranchise the 34 states unable to develop funding to this extent. It should be pointed out that the funding developed by the 15 states is merely in excess of their allotment from the meager federal funds. Five of the 15 states were entitled to only $200,000 from the federal program. Moreover, all of the 15 states are dependent upon the federal funds to supplement the state funds. It should also be pointed out that Mississippi was one of the 15 states cited by FRA. It will be recalled that for fiscal year 1983 Congress recognized the existence of the magnitude of the problems in this state and granted $750,000 in addition to its entitlement of about $279,000 to assist in alleviating these problems. It seems incongruous that this state would be singled out as an example to justify termination of the program.

We recently conducted a survey of a number of midwestern states to ascertain the degree of their funding needs for the branchline program. It was disclosed that using a very conservative criteria ten states needed between $314 and $358 million to fund current projects. Mr. Chairman, in the event you are not aware, I should mention parenthetically North Dakota has a current need for assistance amounting to $80 million which is the same amount we are requesting for the entire program. Obviously this program has not been completed. Moreover, it appears that the branchline problems will continue to mount.

The federal government continues to impose additional abandonment burdens upon the states. The Northeast Rail Service Act of 1981, for example, permitted massive additional abandonments of Conrail lines on an expedited basis. Consequently, Conrail abandoned over 5,000 additional miles concominant with a reduction in the appropriation for the Local Rail Service Assistance Program. In addition, Conrail reports that it is planning considerable additional abandonments; it has 1800 miles, or 15 percent of the system, which are slated for prospective abandonments because these lines contribute only one percent of revenues.

The Milwaukee Road restructuring and Rock Island liquidation continue to

have severe adverse impacts on many communities, especially in the midwest. Also, the recent mergers of a number of large railroads will undoubtedly result in many branchline abandonments since rationalization of the system is one of the major justifications for such mergers. Practically no area in the country is untouched by the present surge to trim down systems due to the easing of abandonment procedures permitted in federal legislation.

Recent highway legislation is also expected to increase railroad abandonments. The Association of American Railroads estimates that the productivity increases provided by the truck size and weight provisions, net of the tax increases which went into effect the first of this month, will result in a profit reduction of $450 million per year for the railroad industry. This represents approximately one half of the industry's current profit. The larger and heavier trucks will undoubtedly have their greatest impact on the relatively shorter haul traffic which is the main stay of branchline operations. Diminution of this traffic will undoubtedly result in additional abandonments.

The appropriations provided the Local Rail Assistance Program in recent years have been completely inadequate. In many instances, states have been unable to undertake or continue projects of the highest priority. The fiscal year 1983 appropriation for this program, as you know, was $20 million. Twenty-seven states received the basic entitlement of one percent or $200,000. Only three states received over $1 million. The largest entitlement was only $2.3 million. Considering the rehabilitation costs for even a modest sized project, it is obvious that considerable difficulty is encountered in undertaking major projects. Many states have been innovative in leveraging these funds with state funds, railroad funds, and shipper funds, as well as providing the funds on a loan basis in order to attain a revolving fund. Nevertheless, many states have been unable to undertake essential projects.

At the present time the discretionary fund maintained by FRA for this program contains a little over $1 million. The inadequacy of this fund is demonstrated by the fact that practically every state could submit applications for projects oversubscribing the entire fund. For example, North Dakota has submitted applications totalling $17 million for projects which it would like to undertake with these funds. Similarly, New York has submitted applications totalling $9 million for projects to be undertaken with this fund.

The states believe that a request for an appropriation in the amount of $80 million is very modest. A balanced transportation system among all modes is a recognized necessity. Understandably, there need not be an equal distribution of funds among the modes but there most certainly should be an equitable distribution.

In summary, Mr. Chairman, the Local Rail Service Assistance Program, despite inadequate funding, has been extremely successful since inception in assisting states to overcome branchline problems caused in part by federal legislation. The program should be continued because a number of problems remain and in some areas are mounting.

State Supported Amtrak Trains

The states are strongly opposed to the Administration's proposal to require the states to pay 100 percent of the long-term avoidable cost for operating state designated trains as well as capital costs and labor protection. Amtrak estimates that for fiscal year 1984 the states share of the cost for operating the present Section 403(b) trains under the proposed formula would be $47 million as compared to $22 million under the present cost-sharing formula. Clearly the states cannot undertake such a burden at this time. Such a precipitous increase virtually assures the discontinuance of the state supported trains. We believe that the discontinuance of these trains is not in the public interest and would be detrimental to Amtrak's operations.

We appreciate the principle upon which the Administration's proposal is based but believe it is erroneously applied due to a misconception in the

perception of these trains. The state-supported trains are apparently characterized by the Administration as short-distance under-patronized trains operated for an undefined questionable benefit of the local residents. Based on this characterization it is very reasonable to accept the premise that the states desiring such service should be obliged to pay the full cost. Actually, however, the characterization is completely erroneous.

Section 403(b) trains are an integral part of Amtrak's basic national system. Section 403(b) trains enable Amtrak to stretch out its route end points. Also, Section 403(b) trains are comparable to branchlines in the freight system in that they provide a feeder system for the trunk line operations. In some instances, the Section 403(b) train is the trunk line. You will recall that in the early years of Amtrak's operations Congress mandated that the basic system be augmented by at least one experimental train each year. Section 403(b) trains to some extent can be considered as a continuation of this program. Moreover, it is important to note that some 403(b) trains are outperforming a number of trains in Amtrak's basic system. For example, the Section 403(b) train between Albany and Montreal has an avoidable loss per passenger mile of 2.4 cents whereas the basic system train between New Haven and Springfield has an avoidable loss of 27.2 cents per mile. Similarly, the Section 403(b) train between Chicago and Carbondale has an avoidable loss of 6.1 cents per mile as compared to the Portland-Seattle train in the basic system which loses 18.1 cents per mile.

The perception that the Section 403(b) trains do not have good ridership is also erroneous. Last year, there were 1,449,000 passengers on 403(b) trains which represents 17 percent of the total Amtrak ridership outside the Northeast Corridor. In addition to the total ridership, a number of Section 403(b) trains compare favorably with trains in the basic system based on the criteria of passenger miles per train mile. On this basis a number of the Section 403(b) trains are performing better than trains in the basic system. Using the same trains as examples, the Section 403(b) train between Albany and Montreal has 114 passenger miles per train mile whereas the basic system train between New Haven and Springfield has 24 passengers per train mile; although not as dramatic, the 403(b) train between Chicago and Carbondale has 76 passenger miles per train mile as compared to the basic system train between Portland and Seattle which has 72 passenger miles per train mile. Therefore, if the states discontinue financing the operation of these trains, Amtrak would be compelled to discontinue trains which are more successful than some of the trains in the basic system which would be retained. Alternatively, Amtrak could continue to operate the Section 403(b) trains (if it had funds available) but since it would not receive the state support there would be no budgetary savings as presently envisioned.

It should also be pointed out that the 403(b) trains are not necessarily short distance routes as compared to trains in the basic system. The 403(b) train route between Los Angeles and Sacramento is 552 miles. Also, the route of the 403(b) trains between New York City and Niagara Falls is 463 miles, between Philadelphia and Pittsburg is 351 miles and between Bakersfield and Oakland is 312 miles. The shortest 403(b) train route is 129 miles for the train between Chicago and Carbondale. On the other hand, almost 20 percent of the basic national system trains have routes of less than 100 miles and 60 percent of the system trains have routes of less than 300 miles.

In summary, it can be seen that the Section 403(b) trains satisfy the mutual needs of Amtrak and the states. The states are willing to assist in the financing of this mutual need but stress that the mutuality of the need necessitates a sharing of the cost. Requiring the states to pay all the costs assumes that Amtrak receives none of the benefits. As explained above, this is not the case. Considering the contribution these trains make to the Amtrak system, we recommend that the Administration proposal be rejected by the committee.

Gov. Orr stated in his letters dated April 8 to the chairmen of the authorizing subcommittees that the National Governors' Association had conducted a survey of the eight states now operating 403(b) trains. The survey disclosed that California would probably be the only state to continue operations, and then only at reduced levels of frequency and on fewer routes, if Congress accepted the Administration's recommendation to require the states to pay 100 percent of the long-term avoidable costs for these trains.

Mr. W. Graham Claytor, Jr., President of Amtrak, testified before this Subcommittee to the effect that he endorses in principle the Administration's proposal that the states should pay a larger share of the avoidable loss. He also believes, however, that if the states were required to immediately pay 100 percent of the long-term avoidable loss, most if not all trains would no longer be supported by the states. Alternatively, he suggests a gradual increase, such as in 1985 increase the states' share from 45 to 50 percent of the short-term avoidable loss for the first year of operation and to 70 percent instead of the present 65 percent of the short-term avoidable loss for the second and following years of operation. He felt that this should be given a trial and if successful further increases could be imposed.

The states have not been surveyed as to whether or not such increases would be acceptable as was done in the case of the Administration's proposal. Nevertheless, it is believed that a number of states are at the proverbial breaking point. I believe that it is reasonable to assume that in those instances where the decision is based on economics the states will elect to cease supporting the trains but that in those instances where the decision is socio-political there may be instances where it is decided to continue support. Moreover, Mr. Claytor's suggestion for increasing the states' share of the costs gradually on a trial basis appears to be brinkmanship rather than an objective determination as to an equitable sharing of costs based on the ratio of benefits between Amtrak and the states. Rather than arbitrarily periodically increase the state share, a study should be undertaken to ascertain the benefits of individual 403(b) trains to Amtrak and to the supporting state, from this data an equitable support formula should be established consistent with the criteria for support used for trains in the basic national system.

Mr. Chairman, I would like to take this opportunity to mention a current problem the states are having with Amtrak regarding the methodology used for determining the amount of the state contribution. As you are aware, the Amtrak Improvement Act of 1981 provides that the States pay a percentage of the short-term avoidable costs for operating the trains and 50 percent of the "associated capital costs."

The states are opposed to the inclusion of interest and depreciation charges for equipment in the "associated capital costs" and would appreciate a clarification of the matter.

The states have been unable to ascertain any legislative history justifying the inclusion of depreciation and interest on equipment used, nor can they accept the justification presented by the Amtrak staff. The basic justification given by Amtrak is that it being a private corporation it would be deprived of opportunity costs for other investments if the states did not pay depreciation and interest on equipment.

The states fully appreciate Amtrak's private status but believe recognition must be given to the fact that since inception the federal government has paid 100 percent of Amtrak's capital costs. That is, all of Amtrak's operating equipment has been purchased with federal funds. Although corporate funds and those received from the federal government are fungible with regard to operating costs, separate line item appropriations have been provided for the purchase of operating equipment. The states, therefore, believe it inappropriate to be billed for this equipment.

Requiring the states to pay for the cost of this equipment also appears to be an application of a double standard. It will be recalled that the Amtrak Improvement Act of 1981 prohibits states and communities from imposing taxes on Amtrak for its property in the respective jurisdictions. The rationale for this provision was that since the federal government financed these assets and/or the improvement of these assets through appropriations to Amtrak, the states should not be permitted to impose a tax based on the federal investment. It would appear that the same rationale should be applied prohibiting Amtrak from imposing a charge on the states for equipment purchased with federal funds.

Similarly, with regard to interest charges, it is noted that the 1981 Act relieved Amtrak of the responsibility of paying interest due to the Federal

Financing Bank on the debt of the corporation held by the federal government. The appropriation for fiscal year 1984 requested by the Administration and Amtrak assumes that this provision will be extended through fiscal year 1984 and that Amtrak will not pay any interest. Considering the interest forgiveness on the part of the federal government, it is not understandable why the states should be obliged to pay an interest cost to Amtrak for federally financed equipment.

Joint State/Federal Rail Safety Program

The Joint State/Federal Rail Safety Program was established by the Federal Railroad Safety and Hazardous Materials Transportation Control Act of 1970. The program was devised to overcome inadequacies in existing federal and state rail safety regulations, alarming safety problems, and the necessity for active state participation to assure a much higher degree of railroad safety in the years ahead. Congress was convinced that the safety in the nation's railroads would not be advanced if subjected to a variety of enforcement in 50 different judicial and administrative systems. If no federal funding is provided for this program, as recommended by the Administration, the chaotic conditions existing prior to 1970 will return.

Rail safety enforcement is unquestionably a responsibility of the federal government. This fact has been clearly defined in the enabling legislation and the implementing regulations. This responsibility cannot be cavalierly dismissed. The state/federal participation program has been very successful, especially in recent years. A recent task force report by the President's Private Sector Survey on Cost Control disclosed that there has been a substantial increase in the number of inspections between fiscal year 1980 and fiscal year 1981. There was also a 31.6 percent decrease in train accidents between these two periods which although not documented to be directly related to the inspections obviously was not an isolated coincidence.

This program is probably one of the smallest government programs from a funding standpoint. Currently, it is operating with an appropriation of less than $3 million a year. This represents 50 percent of the annual cost incurred by 31 states for the 94 inspectors presently engaged in the program.

These funds received by the states should not be characterized as a grant to the states. As previously stated, safety is a federal responsibility. Therefore, it must be recognized that the state payment of 50 percent of the cost is a grant to the federal government since it is contributing to the relief of a federal responsibility. If the states withdraw from the program, the federal government will be obliged to pay the complete cost of the inspection and thus there would be no savings to the federal government as envisioned by the Administration. If, on the other hand, it is contemplated that the state inspectors withdrawing from the program are not to be replaced, there will be a severe adverse impact on safety.

No information is available at this time as to what degree, if any, states will continue current inspection efforts without federal funding. Despite the small amount of funds in the program, a number of states have indicated that they would withdraw if federal funding is not provided. Nevertheless, in those instances where states continue in the program without federal funding, it can be reasonably assumed that there will still be a deterioration in the program. The deterioration will be in the form of a lack of uniformity in administering enforcement. In addition, there will be numerous instances of overlapping and duplication of effort between federal and state inspectors. The federal/state inspection program was conceived in order to eliminate these problems and it would be incongruous to return to such an undesirable state for the lack of an appropriation of under $3 million.

In summary, Mr. Chairman, there is no economical or philosophical reason for failing to appropriate funds for this program. Significantly, Mr. Till, Deputy FRA Administrator, in testimony before this subcommittee gave no justification for recommending that no funds be appropriated for this program. This program should be continued. It must be recognized that the federal government saves an amount equal to the amount appropriated. Few programs offer such a high return on their investment. Safety is an area which defies the placement of a viable cost. Even recognizing that every

program must satisfy some criteria with regard to economic viability, there appears to be no question regarding the viability of this small appropriation which directly accounts for large savings in and human suffering and material.

Railroad Rehabilitation and Improvement Financing Assistance

The Railroad Revitalization and Regulatory Reform Act of 1976 provided rehabilitation and improvement financing for railroads through the purchase of redeemable preference shares of the applicant railroad by the federal government (Section 505) and guaranteed loans for principal and interest for obligations of railroads (Section 511). A total of $1.4 billion has been authorized for the redeemable preference share program and $1 billion has been authorized for the loan guarantee program. A little over $600 million has been appropriated for the redeemable preference share program but signed agreements total only $500 million. For the loan guarantee program, Congress has appropriated $700 million and signed agreements now total only $248 million. Although there are applications pending in excess of $400 million for the redeemable preference share program, there are few applications pending for the loan guarantee program. The difference in pending applications is due primarily to realistic expectations to the effect that loan guarantee funds will not be made available.

These programs were devised in recognition of the need of many of America's railroads for the necessary capital to repair and revitalize their tracks and equipment. The program has been very successful in those instances where it has been implemented, as evidenced by the many worthwhile projects which have been undertaken. Nevertheless, the need for financial assistance continues for many railroads and it can therefore be concluded that the objectives of the program have not been satisfied.

Mr. Till, Deputy FRA Administrator, testified before this subcommittee that the balance of redeemable preference share financing has been earmarked for specific projects by Congressional action. He further stated: "FRA's assistance programs have served the need for which they were intended. We do not foresee any additional meritorious applications for major projects for correcting deferred maintenance on heavy-density interstate rail lines."

Whether applications for assistance are meritorious is a matter of continuing debate. For example, it is questioned why FRA limits meritorious applications to "correcting deferred maintenance on heavy-density interstate rail lines" when such a limitation is not specified in the Act. I understand that one applicant is to testify today explaining why he believes his application is meritorious. I am sure there are many rejected applicants who could give similar testimony. Moreover, as stated above, many prospective applicants have not gone to the trouble and expense of filing because of the realization that available Section 505 funds have been earmarked and Section 511 loans will simply not be approved. The need for additional assistance can be amply demonstrated if there were any hope that assistance would be granted.

The success of the program is evidenced by the fact that the Secretary reported to the Congress that, "In the aggregate, the results to date indicate that the Title V program has helped to minimize the adverse impact of deferred maintenance on the national rail system by stemming the deterioration of high density main lines and by providing for rehabilitation of needed equipment which the recipient carriers would not otherwise have been in a position to undertake."

Admittedly, in the last two years the net profitability, rate of return on investment, and other financial indicators show considerable improvement for the railroad industry. Nevertheless, such improvements are not applicable to all railroads within the industry. It is the railroads which are not enjoying the success of profitability that are to be the recipients of the benefits of this program.

It should be further recognized that the projects undertaken are justified on their individual necessity and not the economic wellbeing of the recipient railroad. In attempting to clarify the purpose and necessity of this program, three Senate Commerce Committee members wrote the Secretary of Transportation

that the FRA should not judge the worth of any application by the credit worthiness of the applicant railroad as a whole, but rather by the worth of the specific project in question. It was pointed out that the Rail Transportation Improvement Act specifically amended Title V in order to direct the department to consider the credit worthiness of the specific project. The Senators stated that, "If a rail line will clearly remain a part of the national rail system and on that basis deserves rehabilitation assistance, the rehabilitated line itself should provide adequate public benefits regardless of what corporate forms may emerge in the future through the merger and line acquisition process." They went on to state, "The preeminent consideration is the importance of the track to the transportation needs of the nation, not the viability of the specific corporation which operates that line."

Obviously, there remain large numbers of projects which warrant this type of assistance. The Chicago Northwestern, the Milwaukee Road, and the Illinois Central Gulf Railroads have received over $366 million in redeemable preference share assistance. These railroads are still in need of considerable further assistance. Moreover, it must be recognized that the acquisition and rebuilding of a number of viable segments of the Rock Island system will cost many millions of dollars. These segments must be preserved regardless of who owns the particular segments.

SEATTLE & NORTH COAST RAILROAD

STATEMENT OF LAWRENCE E. BUNTING, EXECUTIVE VICE PRESIDENT

ACCOMPANIED BY ARTHUR G. ALLEN, JR., PRESIDENT

Senator ANDREWS. The next witness is Mr. Lawrence Bunting, executive vice president of the Seattle & North Coast Railroad.

Mr. BUNTING. Mr. Chairman, Senator Stennis and Senator Byrd, I would like to thank you very much for this opportunity to address the subcommittee this morning.

With me is our company president, Arthur G. Allen, Jr. We are both here from Seattle. In the interest of saving time I would like to provide our written statement for the record.

Senator ANDREWS. Your written testimony will be included in total in the record.

Mr. BUNTING. I would like to discuss with you the situation confronting the Seattle & North Coast Railroad.

We are a product of a current, ongoing problem with rail transportation systems in this country which has to do both with massive mergers creating larger railroads throughout the Nation and, at the same time, considerable abandonment efforts of light density branch lines, secondary main lines, and what have become known in many circles as feeder lines.

Our railroad is the product of probably the single most massive abandonment ever undertaken in this Nation, that of the Milwaukee Road in 1977, which, Mr. Chairman, I am certain you are very familiar with because of some problems in your own State.

Our particular branch line was created out of what is known as the Port Angeles branch line that serves from Seattle to the west end of the North Olympic Peninsula, a land area approximately 25 percent of the entire State of Washington.

This area has historically been very isolated from transportation systems and, with the announcement of Milwaukee's intent to abandon, lumber mills served by my company and formerly the Milwaukee found themselves isolated from alternate modes of transportation.

In many instances the products produced at the 11 lumber, pulp and paper mills we serve are products that are not obtainable from other areas, papers that are used with high cedar content for production of bibles, products of pattern paper for the sewing industry, telephone directory stock used by Western Electric, and long dimension lumber used in the building trades industry.

Had the railroads not continued in operation, the entire Pacific Northwest region and, indeed, much of the Nation would have faced something of an economic disaster.

The Port Angeles branch line, with its long operating history, has been molded into the critical part of the local economic infrastructure. By local, I mean the Pacific Northwest region. We have been operating the railroad successfully now for 3½ years.

Prior to that time, going back another 1½ years for a total of 5 years, we have sought to finance the acquisition and rehabilitation of the track structure by going to approximately 30 banks. I think I have been into banks ranging from very small banks to some of the largest banks in the Nation intimately familiar with railroad financing.

They have been as helpful as they could be. The problem is that no bank in this Nation, as near as I can tell from this experience now, really knows how to go about financing a short-line railroad. It presents a unique set of circumstances, particularly if that railroad is created out of a bankrupt transcontinental railroad. Everybody is afraid that they may endanger their lending portfolio.

We found the bankers wanting to help. We were consistently met with statements that, "You are too small." If we had been 5,000 miles and in a bankrupt condition, we might have gotten a bank loan, but we were not big enough. They had a difficult time assessing the risk for a short-line railroad, given the regulated environment we continue to operate in.

As a last resort, in effect, we chose to seek assistance from the Federal Railroad Administration under the 511 loan guarantee program. You yourself spoke to that program, stating that the short-line and feeder-line railroads, and I believe the Seattle & North Coast Railroad was singled out as an example of the type of system we are talking about, should have unabridged access to those funds.

Unfortunately, in spite of the congressional mandate, the Federal Railroad Administration has chosen to act as if the 511 loan guarantee program does not exist. While we have not been told in so many words to go away, don't bother us, this is the attitude presented to us repeatedly by FRA.

We would like to urge today that the 511 loan guarantee program for fiscal year 1984 continue and that those program applications pending—ours has been pending since March 3—in fiscal year 1983 continue to have unabridged access to the loan guarantee program should they not be acted upon before the termination of fiscal year 1983.

Thank you, Mr. Chairman.

Senator ANDREWS. Thank you very much, Mr. Bunting.

[The statement of Mr. Bunting follows:]

STATEMENT OF LAWRENCE E. BUNTING

My name is Lawrence E. Bunting. I am the Executive Vice President of the Seattle and North Coast Railroad. I want to thank the Subcommittee for the opportunity to express our concern that, for Fiscal 1984, funds be appropriated to the loan guarantee program under Section 511 of the Railroad Revitalization and Regulatory Reform Act.

The S&NC is an essential feeder line which provides the only rail link between the Olympic Peninsula in the State of Washington and the rest of the Nation. On March 3, 1983, the S&NC filed an application with the Federal Railroad Administration requesting a $10,000,000 loan guarantee -- not a loan itself or a grant -- under Section 511. This guarantee is necessary for the S&NC to acquire the Olympic Peninsula line from the bankrupt Chicago, Milwaukee, St. Paul and Pacific Railroad, which abandoned the line several years ago, and to rehabilitate the severely deteriorated track and roadbed so that the line can be operated safely and efficiently. Without the guarantee, the S&NC will be unable to obtain the necessary financing, financing which is otherwise unavailable. And without the financing, the acquisition and rehabilitation cannot occur. In that case, operations will come to a halt, the line will be abandoned, the Trustee of the Milwaukee will liquidate the assets, the track will be torn up and rail service on the Peninsula will cease, probably forever.

The purpose of my testimony today is to advise the Subcommittee of our critical need for Federal assistance in the form of a Section 511 loan guarantee and to urge the continuation of funding of the loan guarantee program for Fiscal 1984. This continued funding is absolutely necessary to ensure that the S&NC, and other applicants, are not left hanging simply because the FRA has not been able or willing

to process pending applications by the end of Fiscal 1983.

In discussing our concerns, I will, first, provide background on the S&NC's operations and its proposed rehabilitation project, and, second, discuss its critical need for Federal assistance.

I. ESSENTIAL RAIL SERVICE FOR THE OLYMPIC PENINSULA MUST BE MAINTAINED

The S&NC provides the only rail service for the entire Olympic Peninsula. As such, it is a critical part of the region's infrastructure.

The S&NC moves freight cars along the Peninsula from Port Angeles to Port Townsend where they are loaded onto barges and transported about 57 miles across Puget Sound to Seattle. At Seattle, the cars are interconnected with the transcontinental rail systems of the Burlington Northern and the Union Pacific which then move the cargo to consumers throughout the United States, Canada and Mexico as well as abroad.

The S&NC's principal shippers are the numerous mills involved in the country's lumber, pulp and paper industries. These mills make use of the vast forest resources of the Peninsula, producing a variety of products including woodpulp, newsprint, wrapping paper, groundwood paper, lumber and plywood. One index of the importance of the output of these mills is that roughly 40% of the telephone directory paper used by Western Electric is produced on the Peninsula. Furthermore, the sales of products from these mills to Canada, Mexico and overseas assist the nation by helping our balance of payments.

The S&NC also directly benefits the people on the Olympic Peninsula as consumers since it transports propane gas inbound for use as an alternative fuel for motor vehicles as well as for residential and hospital heating purposes.

The importance of the line is further highlighted by fact that alternative transportation is inadequate, costly and time-consuming as trucks must rely on a narrow, two-lane highway to make the circuitous 200-mile trip to Seattle. The only other available mode of transportation is by bulk cargo barge. This is also unsatisfactory since it requires additional handling for reloading into boxcars and increases the risk of damage to the freight. Thus, the loss of rail service by the S&NC would leave the people and mills of the Peninsula isolated and without adequate, cost-efficient transportation.

With this background, it should not be surprising that the continued operation of the Olympic Peninsula line is critical to the economic viability of the region. Currently, unemployment on the Peninsula stands at 20%, almost twice the national average. If the S&NC were to cease operations, not only would its own employees be out of jobs but unemployment on the Peninsula would soar as increased transportation costs would force the mills to lay off hundreds of additional workers or shut down completely. Furthermore, a shutdown would also completely undermine the on-going industrial development efforts of both Port Townsend and Port Angeles to pull the region out of its current depression. If the line is abandoned, any hopes of future development would be crushed since new industries would not locate in a region which lacks essential transportation service. In summary, without rail service, the Peninsula would suffer economic disaster.

II. THE LOAN GUARANTEE IS NECESSARY FOR THE ACQUISITION AND REHABILITATION OF THE OLYMPIC PENINSULA LINE

The funds borrowed by the S&NC under a Federal loan guarantee would be used, first, to acquire the line from the Milwaukee's Trustee and, second, to perform critically needed rehabilitation.

The S&NC presently operates the railroad under a Lease-Option Agreement with the Trustee. The net cost of the acquisition will be about $3.8 million. The cost for the necessary rehabilitation will be approximately $6.2 million. These funds are needed to repair years and years of deferred maintenance by the Milwaukee. When the S&NC commenced operations in 1980 the line was in absolutely terrible condition. The rail was badly worn, ties were rotting and derailments were a regular occurrence and a serious hazard even at speeds of 10 miles per hour. In fact, much of the track dates back to the turn-of-the century. This old lightweight rail is completely unsuitable and unsafe for the transportation of modern, heavy, cost-efficient railcars.

The S&NC has a comprehensive rehabilitation plan to upgrade the track to Class 3 track safety standards, thereby allowing it to cut travel time in half and carry heavier, cost-efficient loads without the fear of derailments.

Mr. Chairman, if this project is allowed to move ahead, the line will be saved from abandonment and the people and industries of the Olympic Peninsula will be assured safe, economical rail transportation for years to come.

III. THE S&NC REQUIRES A FEDERAL LOAN GUARANTEE

We filed our application with the FRA on March 3, 1983. Thus, we were shocked to hear the FRA's testimony to this Subcommittee on April 13, 1983, that no new meritorious applications have been filed, that the FRA does not foresee any new meritorious applications for major rail projects, and that, in any case, private financing is readily available. If that were true, we would not have sought a Section 511 guarantee since it does not really give us a lower borrowing rate but, rather, capital availability where there otherwise is none!

Let me now briefly turn to our guarantee application and

tell you where it stands and how the FRA has reacted.

The S&NC has demonstrated the merits of its project in its application and has conclusively shown that: (1) rail service is absolutely necessary for the economic viability of the Olympic Peninsula, (2) safe, efficient rail service will generate additional development on the Peninsula, thereby reducing unemployment, (3) the costs of the project are reasonable, (4) traffic will increase in response to improved service, (5) the estimated internal rate of return of the project is substantial, and (6) the earning power and assets of the line will provide the FRA with reasonable assurance of repayment. In summary, this rehabilitation is clearly financially sound and in the public interest. Nonetheless, we have been given a completely cold shoulder by the FRA which simply does not want to provide any more 511 guarantees. The FRA does not like the program and, no matter what Congress seems to direct, it simply won't comply. It doesn't want the program and if Congress nonetheless authorizes and appropriates funds, the FRA simply won't administer them. This is not the way I thought the government worked.

The S&NC is very concerned with the FRA's procedures in this instance. We had understood that, after the FRA initially reviewed our application, we would be contacted and conferences would be held to discuss any concerns that the FRA might have. We expected to have an opportunity to address these concerns and resolve any outstanding issues. Thus, we were dismayed that the FRA made its remarks before this Subcommittee without giving the S&NC any chance to discuss the application and to address the specific concerns, if any, that it has.

In referring to "major" projects, the FRA appears to be indicating that the loan guarantee program is only available to the major inter-continental railroads. We understand that

this was not the Congressional intent in establishing the loan guarantee program. The legislative history of the Railroad Revitalization and Regulatory Reform Act is quite clear that the Section 511 loan guarantee program is intended to assist small essential railroads such as the S&NC and not simply the larger lines.

We understand that you yourself, Mr. Chairman, made this point in connection with the FRA's appropriations for Fiscal 1983, when, if you would allow me to quote you, you stated that:

> short-line rail services should have full access to the loan guarantee funds that are appropriated under this bill and that are available under section 511.

In the Joint Explanatory Statement of the Committee on Conference, the conferees concurred on this colloquy, agreeing that the 511 program is available to small feeder railroads serving smaller communities.

Indeed, small railroads such as the S&NC are more likely to need Federal assistance since they do not have access to normal sources of private financing as is the case with the larger carriers. Contrary to the FRA's statement, funding for projects such as the rehabilitation of the Olympic Peninsula line is not readily available through the private sector. I know! The S&NC has tried again and again for the last three years to obtain private financing but has been completely unsuccessful. We have discovered that, unfortunately, banks do not understand the needs of a small railway such as ourselves and that, furthermore, they prefer to invest their money in more glamorous high-technology ventures.

Thus, Mr. Chairman, the S&NC is seeking Federal assistance only as a last resort and only after having had countless doors shut in its face. Without a loan guarantee, the S&NC will have to cease operations. As a result, the Olympic

Peninsula line will be abandoned, the tracks and rail will be torn up and rail service on the Peninsula will cease, probably forever.

IV. FUNDING FOR THE LOAN GUARANTEE PROGRAM MUST BE CONTINUED FOR FISCAL 1984

Our principal concern before this Committee today is that guarantee authority be available for the guarantee we have requested. If FRA approval comes before September 30, 1983, the termination of the program in Fiscal 1984 would not affect us. However, if the FRA delays in processing our application, we would be concerned that on October 1 our request for assistance would be denied because of the absence of any funds under the program. Accordingly, Mr. Chairman, we request that sufficient funds be authorized for Fiscal 1984 to cover any and all pending applications for Section 511 loan guarantees. This would ensure that applicants under the current program are not left hanging as a result of inaction and delay by the FRA.

We would also like to add that we feel this program is one that will continue to be necessary in the future as more and more essential feeder lines are abandoned by the major railroads. Thus, we believe the program should continue to be funded at its current level for Fiscal 1984. Most importantly, however, we feel that current applicants should not be denied access to the program merely because the FRA would have held applications up long enough for the program to be terminated.

Mr. Chairman, we are not asking for an outright grant from the Federal government. We are simply asking for assistance in borrowing funds which we will pay back. We are not asking this Subcommittee to make a decision on our application. Based on the critical need for continued rail service for the Olympic Peninsula, we sincerely believe that

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our application is meritorious and will eventually be granted by the FRA. We are simply asking for the opportunity and the time to work with the FRA to obtain their approval of our request.

Mr. Chairman and Members of the Committee, I thank you again for allowing me to present our views on the Section 511 loan guarantee program. I would be happy to answer any questions the Committee may have at this time. Thank you.

CONGRESSIONAL WITNESS

STATEMENT OF HON. ALAN CRANSTON, U.S. SENATOR FROM CALIFORNIA

Senator ANDREWS. Our next group, of course, is accompanied by our distinguished colleagues from the State of California, Senator Cranston and Senator Wilson as well as Congresswoman Fielder, the southern California Rapid Transit District.

Gentlemen and lady, if you will come forward.

We also have Leo T. McCarthy, Lieutenant Governor of California, and Ted Bruinsma, president of the Los Angeles Chamber of Commerce.

Senator STENNIS. Mr. Chairman, I am going to have to go. I will get back as soon as I can. Roy Herring and Charlie Deaton will be here from my State representing the Governor's office.

Senator ANDREWS. Welcome to our subcommittee, Senator Cranston.

Senator CRANSTON. Thank you very much, Mr. Chairman and members of the committee.

I am delighted to be with you. I am here this morning as an advocate of public transportation. I am here especially as an advocate of improving the transportation system of the second largest city in our country—Los Angeles.

I am here to ask your favorable consideration of $205 million for the final design, construction, and right of way acquisition for the Los Angeles Metro Rail project.

The Los Angeles transportation system is simply and clearly overburdened. If this situation continues without relief, we will endanger the economic vitality of the Nation's second largest and second most densely populated urbanized area.

That is not just bad news for Los Angeles. That is bad news for the country—especially at a time when the economic vitality of all our national economy is a prime objective of what we in the Congress do—and in the executive branch.

Mr. Chairman, out of respect for the committee's heavy schedule today I make my remarks very brief. I have a statement to submit for the record.

But I emphasize that I consider the Los Angeles Metro Rail project to be a significant national as well as local project. It is a project

directly tied to the economic future of the Nation's second largest city. It is also tied to the economic health of the entire country.

Representatives of the Los Angeles business community, and my colleagues from both Houses of the Congress, are here to join me in asking the committee's favorable consideration of this vital mass transit project.

I am delighted my colleague and friend in the Senate, Senator Wilson, is with me in total support of this project.

Thank you.

[The statement of Senator Cranston follows:]

STATEMENT OF HON. ALAN CRANSTON, U.S. SENATOR FROM CALIFORNIA

Mr. Chairman, Members of the Committee, I welcome this opportunity to be with you this morning on behalf of federal mass transit programs generally -- and the Los Angeles Metro Rail Project specifically. I commend the distinguished Chairman of the Subcommittee (Mr. Andrews) for his vigorous advocacy of mass transit programs. He is a dedicated champion of sound, sensible federal approaches to our national transportation systems.

I am here to ask your favorable consideration of $205 million for the final design, construction, and right of way acquisition for the Metro Rail Project in Los Angeles.

Mr. Chairman, without this project, the transportation system in Los Angeles will continue as one of the most capacity-strained, overburdened in the country. The situation will endanger the continued economic vitality of our nation's second largest and second most densely populated urbanized area.

At peak hours, Los Angeles freeways resemble parking lots. On surface streets within the major corridors traffic is at a virtual standstill. On many lines, overloaded buses must bypass waiting patrons. These growth pains are curbing the city's economic growth.

45.5% of all weekday commuter trips to downtown Los Angeles are made by bus. That's an 18% increase in ridership since 1978. What concerns transit planners most is the impact of the high-rise construction boom in the Central Business District, where an additional 20 million square feet of office space are scheduled for completion by 1990. This new space will accommodate an additional 120,000 employees who will enter and leave the downtown area each day. Already the Wilshire Boulevard bus lines alone carry more than 190,000 weekday passengers -- more than most of the 51 rail transit lines in the entire country.

Metro Rail is a conventional (18 mile) rail rapid transit system, which will link several high-density activity centers

between downtown Los Angeles and the San Fernando Valley. Employment density along the proposed alignment averages just under 11,000, peaking in the CBD at 46,000 employees per square mile. Population density averages 12,000, peaking in the Westlake area at 28,000 residents per square mile.

At least 280,000 persons will ride Metro Rail every day during its first year of scheduled operation in 1990. To accommodate this enormous passenger demand, it will be necessary to operate as many as 120 rail cars, running every three minutes in six-car trains in two directions during the rush hours. In fact, Metro Rail will have the capacity of three 8-lane freeways.

The Metro Rail Project has been identified by the California Transportation Commission, the Los Angeles Area Chamber of Commerce, the City of Los Angeles, the Southern California Association of Governments, the Los Angeles County Transportation Commission and more than 7,000 participants in over 100 public meetings as an absolutely necessary first step in meeting this potentially crippling transportation challenge.

Representatives of the private sector have expressed considerable interest in defraying station costs in return for the opportunity to develop adjacent commercial and residential properties. Public support for a rail rapid transit system was reaffirmed and strengthened in 1980, when Los Angeles County voters approved Proposition A. This ½-cents sales tax increase, when combined with state and federal resources, makes it possible for the Los Angeles area to firmly address its dramatically increasing mobility needs.

I urge your support for the Metro Rail Project. It is an investment in the economic vitality of the entire country.

CONGRESSIONAL WITNESS

STATEMENT OF HON. PETE WILSON, U.S. SENATOR FROM CALIFORNIA

Senator ANDREWS. Senator Wilson.

Senator WILSON. Thank you.

I thank my colleague, Senator Cranston, for setting the stage for our joint appearances this morning on behalf of the Los Angeles Metro Rail project.

Mr. Chairman, in recent testimony before your subcommittee, Urban Mass Transportation Administrator Arthur Teele listed three factors which UMTA will pay particular attention to in considering funding for cost-effective new rail construction projects, and four other factors that may also be considered. Let's apply each of those criteria to the Los Angeles Metro Rail project:

The Southern California Rapid Transit District studied 11 transportation solutions to the growing mobility problems in the Los Angeles region. These ranged from taking no action at all to the heavy rail alternative eventually selected. The metro rail project was the unqualified winner in this comparative process.

The Urban Mass Transportation Administration recently ranked the Los Angeles Metro Rail project first in the country in terms of cost-effectiveness per passenger.

In 1974, voters approved proposition 5, which earmarked a portion of State gasoline tax funds for rail rapid transit construction. In 1980 Los Angeles voters approved proposition A, which increases sales tax by one-half percent to build a 140- to 160-mile rapid transit system.

The Los Angeles City Council, the Los Angeles County Board of Supervisors, the California Transportation Commission, the Southern California Association of Governments, and the Los Angeles County Transportation Commission have ranked the metro rail project as the highest priority transportation project in Los Angeles.

The business community is expected to demonstrate its financial commitment to the Project by providing 25–50 percent of the cost of stations along the route.

During preliminary engineering, the Southern California Rapid Transit District has held more than 100 community meetings involving more than 7,000 participants to bring residents and business people into the preliminary engineering process.

During preliminary engineering, minority and women business enterprises provided in excess of 18 percent of the professional services required. The rapid transit district fully expects to meet and exceed its established 20-percent goal for the construction phase of the project.

In summary, because this project appears to meet all of the criteria required by UMTA; because the need for the project seems clearly established and I think it has been clearly articulated this morning by Senator Cranston; and because there is such strong financial and political support for the metro rail project—for all of these reasons I join Senator Cranston and distinguished Californians at this time in requesting the committee to give favorable consideration to this funding request.

One point has not been made in terms of local contribution. The city is also going to be engaged in another leg of another project. It will be one that connects downtown Los Angeles with Long Beach. That will not involve Federal funding. It will involve State and local funding. It seems to me that this should be included when we are measuring local contribution.

Again I think the point that Senator Cranston made is one that the subcommittee should make. There has been an alteration in definition of cost effectivenss. For a time we were talking about pure cost effectiveness per passenger. Viewed in that context, this of all the new start cities is the most cost effective.

If we are looking at the Federal dollars involved, then we have to begin looking at local contribution as well, understandably. But I think that we also need to dwell upon not just those served but those who are being called upon to make contributions.

This local match is one that I think the local community recognizes that they will be called upon to improve on, but at this point I think it is critical that they receive funding so that their schedule can be observed. I would very seriously urge the subcommittee to allow them to do that.

Now it is my pleasure, Mr. Chairman, to introduce an old friend and colleague from our days together in the State legislature, the Lieutenant Governor of California, the Honorable Leo McCarthy.

California Economic Development Commission

STATEMENT OF HON. LEO T. McCARTHY, LIEUTENANT GOVERNOR OF CALIFORNIA

Mr. McCarthy. Thank you, Senator Wilson.

Mr. Chairman, Senator Stennis, Senator Byrd, in the interest of time, I would like to submit my statement for the record and try to extract from that, indicating to you that I appear as Lieutenant Governor, but also as chairman of the State's Economic Development Commission.

Our interest in this project is not limited to the visible 6,000 construction jobs, the 100,000 permanent jobs that would arise from its execution, but rather from the very integral role that construction of this metro rail would play in the development of Metropolitan Los Angeles as an economic and international trade center.

Increasingly it is becoming the first point of contact for many people who are looking to invest in America, and what do they see when they come? They do not see a balanced transportation network.They see us heavily committed to the freeway system.

We want you to help rescue us from all those marvelous pictures that appeared in national magazines showing endless lines of cars on freeways in Los Angeles County by helping us to finally get this rapid transit system going.

To reinforce what Senator Wilson just said, 44 percent of the total cost of this project, and it has always been planned as the San Fernando Valley downtown Los Angeles-Long Beach line, 44 percent of that would come from State and local dollars. It is one integral plan.

To further comment, $102 million was invested in San Diego's mass transit totally out of State and local dollars; $1.6 billion was invested in the San Francisco Bay area three-county rapid transit system totally out of State and local dollars.

Unfortunately, the revenue picture in our State has changed dramatically, the will of the people in proposition 13, and other circumstances. Otherwise we would be relying on ourselves again.

We have put forward $400 million in the Los Angeles Metro Rail. We believe we cannot come here and ask the Federal Government to totally fund this, so that we are continuing to make a substantial commitment. Frankly, if this Federal commitment that we have been anticipating for a number of years is not continued, the chance for this project to ultimately occur is slim or nothing at all.

We most respectfully urge your support.

Thank you, Mr. Chairman.

[The statement of Lieutenant Governor McCarthy follows:]

STATEMENT OF HON. LEO MCCARTHY, LIEUTENANT GOVERNOR OF CALIFORNIA

"I cannot emphasize too strongly the importance of your decision on funding for Los Angeles' MetroRail project. You have life or death power over a proposed development which is vital to the future of California's largest city, and which could be a major step toward revitalizing the economy of the state.

"As Chairman of California's Economic Development Commission, I see MetroRail as more than "just" the provider of a badly-needed six thousand construction jobs per year.

"I see it as more than "just" a transportation system which will make possible a projected increase in central city employment of 100 thousand jobs by 1990.

"What I see in MetroRail is all that and something much larger -- an important step in competing for the international trade market this nation must have to assure its economic future.

"Los Angeles is a vital part of our world trade effort. It is the first point of contact with this country for many international firms, particularly those from the vigorous and growing nations near the Pacific Ocean.

"What they see in Los Angeles, as a first impression, may dictate much of their attitude toward the United States. Do they find a vital, modern city moving resolutely and decisively toward the future with projects like MetroRail which provide the public transportation backbone a modern trade center must have? Or do they see the only major metropolitan area in the United States without mass transit, slavishly dependent on one-man-one-car transportation, tied together by a snarl of overburdened freeways which lead to a center where development runs a desperate Red Queen's race against urban blight and decay?

"I want to point out emphatically that this is not a purely local issue -- it is one in which all of California has a stake.

I come from San Francisco, a city whose rivalry with Los Angeles is well known. I represent voters statewide, many of whom might never ride the Los Angeles subway. But the economic health of our state is a concern of all Californians -- just as our ability to attract foreign investments and compete for international trade is important to all Americans.

"California has backed up its interest with a firm commitment. We have programmed 400 million dollars in our State Transportation Improvement Plan -- the full state contribution for MetroRail. In a year of financial crisis, when we were considering paying state employees and income tax refunds with IOU's, the California Transportation Commission allocated 37 million dollars in state funds to acquire the right-of-way for MetroRail's Central Yard, and for matching federal funds for station design.

"As a state, we have not been notorious for letting someone else pay our bills. State and local funds paid the cost of San Diego's light rail -- 102 million dollars. 80 percent of the Bay Area Rapid Transit's one-point-six-billion-dollar system was non-Federal money.

"Meanwhile, Federal taxes paid by Californians have helped build major new transit systems in Miami and Atlanta, in Portland and Buffalo, in Baltimore and right here in Washington. We believe it's not unreasonable to feel that it's time some of those tax dollars came home to roost.

"I made reference previously to our celebrated financial crisis earlier this year. Let me emphasize that for the moment we may have succeeded in parting a sea of red ink, but it still threatens to crash in upon us.

"In California, we face not only revenue shortfalls, but also sharply limited mechanisms by which we may raise funds. The cold, hard reality is this: if a decision should be made to cut back the Federal share of cost for Los Angeles' MetroRail,

the chances of state and local governments making up the difference would be (depending on how wildly optimistic you are) either slim, none, or less than that.

"California has made its unequivocal commitment to this project. So have the voters of Los Angeles County, who approved a half-cent increase in the sales tax for the purpose.

"We ask that the Federal Government keep faith with us by keeping its commitment to MetroRail, to the citizens of California, and to the future."

CONGRESSIONAL WITNESS

STATEMENT OF HON. BOBBI FIELDER, U.S. REPRESENTATIVE FROM CALIFORNIA

Senator ANDREWS. Congresswoman Fielder.

Ms. FIELDER. I have some very serious questions concerning the ridership projection made in the alternative analysis in this particular proposal. I am not alone in the questions which I raise regarding ridership.

Professor Gordon at the University of California says the RTD's position is patently absurd. Professor Wachs at UCLA said patronage figures in RTD's model are high. They have made assumptions that are in practice difficult to sustain.

Charles Lave at Irvine says, "I am quite sure patronage figures are overestimated," and Professor Weber at Berkeley, the one who made the estimate on the BART system, that he eventually proved to be right, said of this particular system, "RTD figures on rider projection are fantastic and a fantasy."

When you take a look at the population surrounding the city of Los Angeles compared to some of the other major urban cities that have also received funding for projects of these kinds, when you take a look at the ridership per mile, what you see is that Los Angeles is projecting a ridership per mile in excess of the city of New York by the year 2000 and nearly that in 1990 where their populations are different, the population density in New York showing roughly 62,000 per square mile, Los Angeles averaging 5.800 per square mile and even if you accept the RTD figure of 12,000 population density per square mile, still a very dramatic difference.

I would ask this committee to please review the figures surrounding the alternative analysis and I am making a specific suggestion that they convene a panel of independent planners to make certain that if they decide to fund this particular proposal at whatever level they believe to be appropriate, that we make sure that the ridership and therefore the subsidies ultimately which are going to be borne not only by the Federal Government but by the people of the city of Los Angeles, are not excessive for the number of people who are expected to ride.

[The statement of Ms. Fielder follows:]

STATEMENT OF HON. BOBBI FIELDER, U.S. REPRESENTATIVE FROM CALIFORNIA

Mr. Chairman, I would like to thank you and the subcommittee for allowing me time today to discuss with you some questions that I have concerning the proposed Wilshire Corridor Subway in Los Angeles.

The proponents of this project are here today requesting that Congress appropriate construction funds for a project that has not even completed its Preliminary Engineering Study. That fact, at the very least, should give us some pause. But, I believe beyond that, there are serious questions and discrepancies surrounding this proposed system.

Recently U.M.T.A. Director Teele discussed with you some of the concerns felt at the Department of Transportation about the local matching funds. I would amplify that the major source of LA's matching funds is coming from a one half cent sales tax on county residents. However, starting in 1985, not all this one half cent tax will be specifically earmarked for rail mass transit. And, considering the local fiscal problems being experienced in Los Angeles, could very well fall prey to other competing interests.

I think it is important to note that even after hearing of Congressional questions concerning the percentage of matching funds, Mayor Bradley's Congressional liaison in Washington maintained, in an April 22nd news article, that he could permit no more than a 25% match.

In the same article, specifically referring to widespread concerns on the percentage of matching funds he said, "If we want to use that money in a 75-25 funding formula, it's none of their business."

Yet, once Congressional concerns were voiced last week, the R.T.D. has now proposed adding an entirely different transit system on to the proposed subway. This separate system is being paid for with local dollars and adding it on makes the Wilshire corridor line have slightly more than a 25% local match. This is just another example of the constantly changing nature of this proposal.

The availability of other sources of local income to meet the match are also in doubt. Last week, Mayor Bradley called for a 15% increase in property taxes. In the land that gave birth to the tax rebellion through Proposition 13, you can be sure that the reaction has been extremely negative and the prospects for his being able to effect this increase seem remote.

Additionally, given the cost overruns experienced on the three most recently built subways -- San Francisco, Washington, and Philadelphia-Camden -- it can be expected that as costs increase and

more federal dollars are needed, it will be very difficult to match them locally.

Further, the Preliminary Engineering phase which is currently going on may have been based on faulty assumptions made during the Alternatives Analysis of this project. The questions about these assumptions come not only from me but from major independent urban planners throughout the country including Dr. Peter Gordon at the University of Southern California, Dr. Martin Wachs at U.C.L.A., Dr. Melvin Weber at Berkeley, Dr. Charles Lave at the University of California at Irvine and Dr. Alan Altschuler at M.I.T. I should point out that Dr. Weber predicted exactly what was going to happen with ridership on the B.A.R.T. system at a time when those involved in the project were still making unrealistically rosy forecasts.

Up until last month, the R.T.D. had steadfastly held that its 1979 cost construction estimate of $2 billion was accurate. But under pressure from U.M.T.A. they revised it upward to $3.1 billion. However, U.M.T.A. has found those figures inadequate and further revised the cost estimate up to $3.6 billion.

The ridership projections are also troubling. The projected ridership per day now stands at 268,000. If you break the ridership estimates down to the per mile/per day basis that U.M.T.A. uses as a guideline for effectiveness, you find that they project nearly 15,000 riders per mile on this system -- a ridership per mile nearly that of the New York City subway system! The chart I have brought with me today shows the per mile ridership and the population densities of the cities in which the three most recently built system are running plus some well-established systems. And as you can see, with the exception of New York, no system even remotely approaches the ridership projections made for Los Angeles.

The implications of such a possible overestimation on future operating subsidies are frightening. Further adding to the possibility of ridership miscalculation is that Los Angeles has the lowest per-square-mile population density of any major urban area in the country.

While the R.T.D. may point out that there are currently 190,000 riders per day using buses along the Wilshire corridor, they fail to point out that many of those riders boarded those buses in areas outside of the proposed subway area and, if the line were built, significant numbers of those would either continue riding buses or would most likely balk at having to change in midtrip from one form of transpor-

tation to another thereby driving them back to their cars where that form of transportation is available.

Because our Federal dollars are limited, it is urgent that any project funded should not put unanticipated demands on future scarce transit dollars. Therefore, I would suggest to the subcommittee that an independent panel of transit planners be convened to studynot only the yet-to-be-completed Preliminary Engineering Study, but to review the Alternatives Analysis filed by the R.T.D. as well, to see if the figures and projections made by the R.T.D. are correct.

CITY	RIDERSHIP PER MILE	POPULATION DENSITY (PER SQUARE MILE)
SAN FRANCISCO (ACTUAL)	1,199	14,637
PHILADELPHIA-CAMDEN (ACTUAL)	2,621	14,131
WASHINGTON (ACTUAL)	8,291	11,588
CHICAGO (ACTUAL)	4,419	13,911
NEW YORK (ACTUAL)	15,647	62,952
LOS ANGELES (PROJECTED)	14,888 (1990) 19,785 (2000)	5,879

BUDGET RESOLUTION LIMITS TRANSPORTATION FUNDS

Senator ANDREWS. Let me point out briefly that the only problem or one of the major problems that we have is the fact that under the budget resolution we are extremely limited for funding projects of this type. Only if the Senate budget resolution passes in essentially the domestic spending shape it is in right now and we negotiate it out with the House will we have any leeway whatsoever.

These funds have been cut back sharply by the Budget Committees in both the Senate and the House. It depends on what happens on the floor of the Senate next week.

I notice the president of the chamber of commerce from Los Angeles is here. As a member of the Budget Committee, I have gotten all kinds of communications from the chamber of commerce that have said we have to cut drastically the spending levels that we do have in the bill.

Since it was my amendment as a member of the Budget Committee that increased funding for transportation by some $400 million, we have heard, sir, from your chamber and the national chamber saying we shouldn't have done that. Yet today you are here testifying in favor of increasing that kind of spending.

Now that kind of dichotomy is a little bit difficult under the rules to accommodate. I only point out that, as I pointed out to my colleagues in both the Senate and the House, and my colleagues Senator Stennis and Senator Byrd what some of the problems are. You make an excellent case.

We are certainly going to do everything we can to resolve that, but I understand the chamber's budget proposal is going to be put up for a vote on the floor of the Senate and if that budget proposal should carry or if that budget proposal should get a considerable number of votes, there will be no way that we can accommodate programs such as this.

Senator Stennis.

Senator STENNIS. You have spoken well for the committee.

Senator ANDREWS. Senator Byrd.

Senator BYRD. I have nothing other than to join Senator Stennis in seconding your remarks.

Senator ANDREWS. Do you have any further statements you would like to file for the record?

LOS ANGELES CHAMBER OF COMMERCE

STATEMENT OF TED BRUINSMA, PRESIDENT

Mr. BRUINSMA. Yes, Mr. Chairman, I would like to speak.

I am the president of the Los Angeles Area Chamber of Commerce.

I recognize, I think we all recognize, the many difficult decisions on this subject. I hope you are successful in your deliberations next week.

I speak today on behalf of the Los Angeles transportation task force which is a cohesive public-private partnership of local business and government leaders. For both social and economic reasons we are committed financially and otherwise to addressing the critical transportation problems facing our community. I think the word "critical" is the essential word.

The previous illustrative speakers have presented many of the same statistical figures, so I will try to be very brief and condense my remarks. As Senator Cranston said, we are the second largest city and we have the second most densely populated urban area that is larger in population than 41 States.

We think we have the greatest need for rail transit of any of the new starts in Los Angeles. We are unified in this effort in recognizing this need.

I might add we think the figures on which we are basing our studies are accurate and will stand the test.

In terms of service and patronage on buses, transit ridership in Los Angeles in the past 9 months has increased by 400,000 riders per day. This 400,000 increase alone, from 1.5 million passengers per day, is more than Atlanta or Baltimore carry on their total systems and twice what Houston or Miami carry each day.

The southern California rapid transit district is in the final stages of completing preliminary engineering on metro rail and the environmental impact statement, and has complied with all necessary Federal, State, and local requirements.

Los Angeles needs $205 million in section 3 capital funds in fiscal 1984 to complete final design and commence construction of metro rail.

The total cost of our project is $2.3 billion in current dollars and is estimated at $3.1 billion when adjusted for a 7-percent inflation rate to the midpoint of construction in 1987.

The metro rail project makes good business sense from an operational standpoint. Urban Mass Transit Administrator Art Teele recently ranked it as the most cost-effective project in the country. The cost per passenger on metro rail is almost 60 percent less than on an all-bus system.

In terms of local share, our voters in November 1980 passed a one-half cent sales tax to build a 140- to 160-mile rail system of which Metro Rail Line is one of three lines to be built during the next 8 years.

The sales tax will yield at least $1 billion over that time which must be used for rail transit construction. The other two lines will be light rail technology and will cost approximately $900 million without any Federal participation.

Our total transit plan, therefore, is $4.1 billion of which $1.7 billion is non-Federal and we are requesting an ultimate $2.3 billion from the Federal Government. Taken as a whole, our ratio of funding is 56–44 percent.

I mention this because recent reports indicate some feel new rail starts may be funded not on the established criteria of need or cost effectiveness, but on the basis of percentage of State/local match.

We, along with many other cities supported the Surface Transportation Assistance Act understanding the State/local share would be fixed at 25 percent and still feel that ratio should apply. But even if it doesn't, the local share of our total rail project at 56–44 percent taken together with our need and cost effectiveness, justify a Federal commitment.

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If we don't build a subway in Los Angeles, our city will strangle on buses and cars and our dynamic growth and future development will be endangered.

In summary, Los Angeles not only has a demonstrated need and a proven cost-effective system, it has unprecedented stable State and local funding support, political support of both private and public sectors and local commitment, support generated by more than 120 public meetings attended by over 7,000 citizens in the last year alone.

Clearly a Federal commitment to Los Angeles' Metro Rail is justified.

I thank you for letting me appear today.

Senator ANDREWS. Thank you very much, Mr. Bruinsma. We appreciate your statement and the statement of others in the California group.

Within the guidelines of what we can do on the budget, you can be sure we will look closely at your project. We have problems. During the debate next week you will know why.

Maybe we will get a telegram from the Los Angeles Chamber of Commerce that they don't want to go along with the national chamber. We will see what happens.

Mr. BRUINSMA. We are an independent chamber.

Senator ANDREWS. I detect that.

Senator WILSON. This is also a very independent chamber president, I should advise the Chair. I know from personal experience.

Senator ANDREWS. Thank you, Senator.

[The statement of Mr. Rood follows:]

Statement of Rodney W. Rood, Cochairman, Los Angeles Transportation Task Force

MR. CHAIRMAN, MY NAME IS RODNEY W. ROOD. I AM VICE PRESIDENT AND ASSISTANT TO THE CHAIRMAN OF THE ATLANTIC RICHFIELD COMPANY AND CO-CHAIRMAN OF THE LOS ANGELES TRANSPORTATION TASK FORCE, A PUBLIC/PRIVATE PARTNERSHIP COMPOSED OF LOCAL BUSINESS AND GOVERNMENT LEADERS.

I APPRECIATE THIS OPPORTUNITY TO PRESENT TO YOU THE PROGRESS OF RAIL TRANSIT IN LOS ANGELES. MY REMARKS WILL BE BRIEF IN RESPECT OF THE TIME ALLOTTED. COPIES OF THE COMPLETE REPORT HAVE BEEN MADE AVAILABLE TO ALL MEMBERS OF THE COMMITTEE. MY REPORT CAN BE SUMMARIZED AS FOLLOWS:

1) AS THE SECOND LARGEST CITY AND THE SECOND MOST DENSELY POPULATED URBAN AREA IN THE U.S., LOS ANGELES HAS GREATEST NEED FOR RAIL TRANSIT OF ANY OF THE "NEW START" RAIL CITIES.

2) IN TERMS OF SERVICE AND PATRONAGE ON BUSES, TRANSIT RIDERSHIP IN THE PAST 9 MONTHS HAS INCREASED BY 400,000 PER DAY. THIS INCREASE ALONE FROM 1.1 MILLION TO 1.5 MILLION PASSENGERS PER DAY IS MORE THAN ATLANTA OR BALTIMORE CARRY ON

THEIR TOTAL SYSTEMS AND TWICE WHAT HOUSTON OR MIAMI CARRY EACH DAY.

3) LOS ANGELES HAS ITS ACT TOGETHER. AS A REPRESENTATIVE OF THE PRIVATE SECTOR IN LOS ANGELES I CAN STATE FIRST HAND OUR NEED FOR RAIL RAPID TRANSIT. THE SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT IS IN THE FINAL STAGES OF COMPLETING PRELIMINARY ENGINEERING ON METRO RAIL AND THE ENVIRONMENTAL IMPACT STATEMENT, AND HAS COMPLIED WITH ALL FEDERAL, STATE AND LOCAL REQUIREMENTS, RELATIVE TO BUILDING A RAIL RAPID TRANSIT LINE.

4) LOS ANGELES NEEDS $205 MILLION IN SECTION 3 CAPITAL FUNDS IN FY1984 TO COMPLETE FINAL DESIGN AND COMMENCE CONSTRUCTION OF METRO RAIL.

TOTAL COST OF THE PROJECT IS $2.3 BILLION IN CURRENT DOLLARS AND IS ESTIMATED AT $3.1 BILLION WHEN ADJUSTED FOR A 7% INFLATION RATE TO THE MID-POINT OF CONSTRUCTION IN 1987.

IN TERMS OF THE LOCAL SHARE, THE VOTERS OF LOS ANGELES PASSED IN NOVEMBER, 1980, A ½ CENT SALES TAX TO BUILD A 140-160 RAIL SYSTEM OF WHICH THE METRO RAIL LINE IS ONE OF THREE LINES IN THE SYSTEM TO BE BUILT DURING THE NEXT 8 YEARS. THE SALES TAX WILL YEILD AT LEAST $1.0 BILLION OVER THAT TIME WHICH MUST BE

USED FOR RAIL-TRANSIT CONSTRUCTION. ON THE OTHER TWO LINES, WHICH WILL BE LIGHT RAIL TECHNOLOGY AND WHICH WILL COST $800-900 MILLION, WE HAVE NO PLANS TO REQUEST FEDERAL PARTICIPATION. BUT WE ARE CONVINCED THEY MUST BE COUNTED AS PART OF THE TOTAL LOCAL EFFORT SINCE THIS IS AN INTEGRATED RAIL TRANSIT SYSTEM.

THUS, WHEN VIEWED IN PERSPECTIVE OF THE TRANSIT PLAN FOR THE 1980'S, LOS ANGELES TOTAL PROGRAM IS $4.1 BILLION OF WHICH $1.7 BILLION IS NON-FEDERAL AND WE ARE REQUESTING $2.3 BILLION FROM THE FEDERAL GOVERNMENT. THIS IS A 56%-44% RATIO OF FUNDING. MOREOVER, AS SOON AS THE METRO RAIL PROJECT IS FUNDED THE PRIVATE SECTOR IS PREPARED TO DO ITS SHARE BY CONTRIBUTING $150-250 MILLION TO STATION CONSTRUCTION AND OPERATIONS COSTS BY MEANS OF JOINT DEVELOPMENT AGREEMENTS, BENEFIT ASSESSMENT DISTRICTS AND OTHER VALUE CAPTURE TECHNIQUES.

AN OFFICER OF A MAJOR PETROLEUM COMPANY MAY SEEM AN UNLIKELY ADVOCATE FOR MASS TRANSIT. BUT IF WE DON'T BUILD A SUBWAY IN LOS ANGELES, OUR CITY IS GOING TO STRANGLE ON AUTOMOBILES AND BUSES. THE ENTIRE GREATER LOS ANGELES AREA IS EXPERIENCING DYNAMIC GROWTH. IN MAJOR REGIONAL CENTERS SUCH AS DOWNTOWN LOS ANGELES, THE WILSHIRE CORRIDOR, THE SAN FERNANDO VALLEY, ETC., FUTURE DEVELOPMENT IS ENDANGERED BY CLOGGED STREETS AND UNENDING TRAFFIC JAMS. MORE AND MORE AUTOMOBILES ARE NOT THE SOLUTION. THEY ONLY MAKE THE PROBLEM WORSE.

AT THIS POINT I WOULD LIKE TO TOUCH ON THE MATTER OF FAIRNESS AND EQUITY. RECENT STATEMENTS BY THE ADMINISTRATION HAVE ONLY

SERVED TO HIGHLIGHT OUR CONCERN FOR FAIRNESS AND EQUITY IN COMPETING FOR NEW RAIL START DOLLARS. FRANKLY, MR. CHAIRMAN, WE FEEL THE LOS ANGELES PROJECT IS IN DANGER OF BEING OBSCURED BY A SMOKESCREEN.

SPECIFICALLY, WE SEE SUDDENLY A NEW LIST OF CRITERIA BY WHICH THE FUNDING FOR NEW RAIL STARTS WILL BE JUDGED. IT SMAKS OF CHANGING THE RULES OF A BASEBALL GAME IN THE NINTH INNING, WE HAVE BEEN AT ALTERNATIVES ANALYSIS AND PRELIMINARY ENGINEERING FOR 5 YEARS, FAITHFULLY JUMPING THROUGH THE FEDERAL "HOOLA-HOOPS". CLEARLY, LOS ANGELES' METRO RAIL PROJECT QUALIFIES AT THE TOP OF THE LIST UNDER UMTA's STANDARD COST EFFECTIVENESS CRITERIA.

LOCAL FINANCIAL COMMITMENT? WE HAVE A STABLE DEPENDABLE FUNDING SOURCE. IN FACT, WE HAVE NOT ONE BUT THREE STABLE, DEPENDABLE FUNDING SOURCES. A PORTION OF THE STATE GASOLINE TAXES, A ONE-FOURTH CENT STATE SALES TAX, AND A ONE-HALF CENT LOCAL SALES TAX. MOREOVER, WE PROVIDE ABOUT $250 MILLION ANNUALLY FROM LOCAL FUNDS TO SUPPORT OUR BUS OPERATION WHICH CARRIES 1,500,000 RIDERS DAILY.

PRIVATE SECTOR SUPPORT? WE HAVE IT. OUR LOS ANGELES TRANSPORTATION TASK FORCE REPRESENTS AN AGGRESSIVE, VIGOROUS PARTNERSHIP OF PUBLIC AND PRIVATE SECTOR LEADERS DEDICATED TO IMPROVED PUBLIC TRANSPORTATION IN LOS ANGELES, INCLUDING CONSTRUCTION OF METRO RAIL.

LOCAL GOVERNMENT AND COMMUNITY SUPPORT? AGAIN, WE HAVE MADE HARD COMMITMENTS. EVERY LOCAL JURISDICTION AFFECTED BY METRO RAIL HAS ADOPTED RESOLUTIONS OF SUPPORT. IN ORDER TO ASSURE PUBLIC PARTICIPATION IN THE DECISION-MAKING PROCESS SHAPING THE DESIGN OF METRO RAIL, THE RTD HAS CONDUCTED MORE THAN 120 PUBLIC MEETINGS OVER THE LAST YEAR ALONE WHICH WERE ATTENDED BY MORE THAN 7,000 INDIVIDUAL CITIZENS. METRO RAIL IS TRULY A TRANSPORTATION SYSTEM DESIGNED BY AND FOR THE PUBLIC.

IN TERMS OF EQUITY, I ALSO WILL MENTION THAT WE IN CALIFORNIA AND ESPECIALLY IN THE LOS ANGELES AREA ARE AWARE THAT WE ARE AMONG THOSE AREAS OF THE COUNTRY THAT ARE IN A DONOR STATUS WITH REGARD TO THE FLOW OF TAX FUNDS TO AND FROM WASHINGTON.

WE CERTAINLY REALIZE THERE ARE NEEDS ELSEWHERE IN THE U.S., AND THEY MUST BE ADDRESSED. BUT WE ALSO BELIEVE IT IS OUR TURN TO RECEIVE FUNDING AS WELL.

THANK YOU.

ATLANTIC CITY BUS OPERATORS ASSOCIATION

STATEMENT OF MITCHELL SUSSMAN, PRESIDENT

ACCOMPANIED BY:

BOB CAMPBELL, GENERAL COUNSEL, ATLANTIC CITY BUS OPERATORS ASSOCIATION

SUSAN PERRY, THE AMERICAN BUS ASSOCIATION

Senator ANDREWS. Our next witness will be Mitchell Sussman, president of the Atlantic City Bus Operators Association.

While Mr. Sussman is coming up, let me tell you a brief story about Mark Twain.

Mark Twain was talking about a situation in Hartford. He said:

Some years ago in Hartford we all went to church one hot sweltering night to hear the annual report of Mr. Hawley, city missionary who went around finding people who needed help and didn't want to ask for it. He told of life in cellars, where poverty resided. He gave instances of heroism and devotion to the poor.

"When a man with millions gives," he said, "we make a great deal of noise. It is nice in the wrong place. It is the widow's mite that counts."

Hawley worked me up to a great pitch. I could hardly wait for him to get through. I had $400 in my pocket. I wanted to give that and borrow more to give. You could see greenbacks in every eye. Instead of passing the plate then, he kept on talking and talking and as he talked it grew hotter and hotter and we grew sleepier and sleepier. My enthusiasm went down, down, down, $100 at a clip, until finally when the plate did come around, I stole 10 cents out of it. It all goes to show a little thing like that can lead to crime.

So said Mark Twain. [Laughter.]

Let me point out that the reason we have a time limit is to accommodate the others. We are running behind time. Let me assure you again those who are here that your remarks will be included in full in the record.

It is the record that counts because that is what this subcommittee has to refer back to as we go about our markup. So, we hope that you will summarize your statements and be assured that they will appear in full in the record.

This was not addressed specifically to you, Mr. Sussman, because you have been waiting patiently.

Mr. SUSSMAN. I first would like to state the previous testimony was quite interesting. Everybody seems to be in dire need of Federal funds. You, yourself, commented on the fact that——

Senator ANDREWS. They are in favor of the income, but not in favor of the outgo.

Mr. SUSSMAN. We are ready to knock out $30 million in the Federal budget.

Allow me to introduce Bob Campbell, legal counsel for our association. Behind me is Susan Perry representing the American Bus Association that goes along with our testimony that we are submitting today.

My name is Mitchell Sussman. I am the president of ACBOA, the Atlantic City Bus Operators Association. I am also the president of STARR Transit, a member company of ACBOA.

On behalf of the membership of ACBOA, please accept our appreciation for this opportunity to present to the subcommittee our views in opposition to the Federal funding of the high-speed rail line project between Philadelphia, Pa., and Atlantic City, N.J.

ACBOA is a nonprofit trade association of over 80 bus companies and affiliated noncarriers, many of which are based in or maintain facilities in the Philadelphia and Atlantic City metropolitan areas.

Members of the bus industry may properly enjoy substantial credit and recognition for contributing to the acknowledged success of the Atlantic City casinos, the world's largest single bus destination area.

During the month of October 1982, motor carrier operators transported more than 1 million passengers to Atlantic City casinos. Approximately 85 percent of the motor bus companies bringing tourists and casino patrons to Atlantic City are ACBOA members.

ACBOA opposes the release of $30 million for the construction of the Atlantic City high-speed rail line. ACBOA requests this subcommittee and Congress to adopt, as proposed, that portion of the ad-

ministration's fiscal year 1984 budget which provides no money for funding of the Atlantic City rail line and relieves the U.S. Department of Transportation of any obligation to reserve or expend money for the project.

The private sector bus industry, comprised primarily of ACBOA members, now provides low-cost, frequently scheduled, door-to-door passenger bus service between Atlantic City and points along much of the east coast, including the Philadelphia metropolitan area.

The bus industry conducts that service without any Federal subsidies. In fact, ACBOA members pay an estimated $4.4 milion a year in tolls for use of the Garden State Parkway and Atlantic City Expressway enroute to and from Atlantic City.

By our calculations, therefore, we are a net contributor to the highways. These toll contributions in our unique market differ from the estimated 8-cent per mile indirect subsidy bus operators receive in other markets. It is far less than the $35 per passenger-mile direct subsidy Amtrak receives.

The casinos have enjoyed such phenomenal patronage that Atlantic City casinos already are capping the number of buses permitted to serve the casinos because gaming facilities in many instances already are simply incapable of serving additional customers. With private automobiles and air service, we have saturated the market.

In this period of record budget deficits, record postwar unemployment, and massive cutbacks in social and health services for the American people, the membership of ACBOA opposes federally subsidized competition in the form of the Atlantic City rail line. We have proven the success and cost-efficiency of our existing privately funded passenger service.

At a time when the Nation's highways are crumbling, our bridges are collapsing, and other vital public services are declining, ACBOA urges this subcommittee and the Congress to reconsider the wisdom of spending an estimated $90 million in capital funds, and untold millions more in operating subsidies, for an unnecessary rail line.

We provide an admittedly efficient, low-cost, responsive transportation service not only between Atlantic City and the Philadelphia metropolitan area, but between Atlantic City and more distant points.

In addition, existing private and public sector commuter bus service is widely available throughout the communities in New Jersey Amtrak has no desire to serve, and is available on a more flexible, convenient, and low-cost basis than ever could be provided by a publicly owned, heavy fixed-rail system.

Since passage of H.R. 3420, ACBOA believes certain factors have become clear which require a reassessment by Congress of the wisdom of federally funding the Atlantic City rail line project.

First, the rail line is not cost effective. Even the strongest proponents of the Atlantic City rail line have acknowledged the $30 million Congress authorized for its improvement will not be sufficient to pay for all of the needed station and track improvements.

Various New Jersey State and local sources have estimated an additional $30 to $60 million would be needed. Operating subsidies also would be required for at least the first several years after the rail line initiated service. We understand proponents of the rail line have even proposed the diversion of Atlantic City Expressway's toll revenues to fund the rail line's operating debt.

In other words, bus operators and other individual motorists would be forced to subsidize rail operations.

Second, duplicative commuter service is not feasible and too expensive. Amtrak has emphasized recently it does not propose to run any commuter service on the Atlantic City lines. Apparently, Amtrak's professional judgment is that a true high-speed rail service between Atlantic City and Philadelphia, which under the authorizing legislation must run at a minimum of 79-miles-per-hour, is only feasible technologically, economically, and logistically by running essentially a closed-door service from origin to destination.

Multiple commuter stops at intervening points on the line between Philadelphia and Atlantic City are necessarily inconsistent with high-speed rail service, and would thereby deter true intercity passengers from using rail service to Atlantic City.

Additional capital contributions also would be necessary to build or renovate train stations at likely commuter stops along intervening New Jersey points, in addition to the substantial drain of massive rail operating subsidies on Government treasuries.

Private and public sector commuter bus service currently is available on a flexible, convenient, and low-cost basis. Trailways, for example, provides frequent, expeditious, nonsubsidized, round-trip commuter service between Atlantic City and Philadelphia for only $10.95 per person. New Jersey transit provides such round-trip service at the subsidized rate of $4.65 per person.

Amtrak's proposed $20 round-trip fare between Atlantic City and Philadelphia obviously cannot be justified as cost effective.

Third, even the proposed noncommuter rail service is not feasible, nor beneficial. Unlike existing bus service in which passengers are transported almost directly door-to-door between their suburban homes in the Philadelphia metropolitan area and casino destinations in Atlantic City, for example, the rail link would entail local transportation problems at origin and destination.

The rail link would first entail travel to downtown Philadelphia and then the simultaneous arrival of a multitude of passengers at one central location in Atlantic City, a train station.

The local transportation necessary to ultimate destinations would thereby cause additional local traffic inconvenience, or a need for yet another, expensive show case project like a people mover or some similar means of serving casino customers.

A casino bus management study, prepared for the Atlantic County Transportation Authority in October 1982, rejected a similar central terminal concept for incoming buses for the same reasons.

Fourth, the Administration opposes the rail line. In testimony before the House Appropriations Transportation Subcommittee on April 12, 1983, Mr. Thomas A. Till, Deputy Administrator of the Federal Railroad Administration, emphasized the Administration is "definitely opposed" to the project.

Finally, the rail line is a threat to private sector jobs. Construction and operation of the Atlantic City high-speed rail line would provide federally funded competition to the private sector service ACBOA members now provide, thereby endangering jobs and private investments.

The membership of ACBOA has worked very closely with the management of the various casinos to create the most efficient, cost-effective, and expeditious transportation service possible.

It is incongruous that the Federal Government would now enter this specialized market by subsidizing the construction and operation of a fixed, heavy-rail line which is not cost-effective, not tailored to meet the needs of the casinos to be served, not convenient for the passengers whom the rail proponents presume will take advantage of the service, but will support a narrow special interest, the casino gambler.

Senator ANDREWS. Thank you very much.

[The statement of Mr. Sussman follows:]

STATEMENT OF MITCHELL SUSSMAN

My name is Mitchell Sussman. I am the President of the Atlantic City Bus Operators Association ("ACBOA"). I am also the President of Starr Transit, a member company of ACBOA. My office is located at 2531 E. State Street, Trenton, NJ 08619. ACPOA's Executive Office is located at 910 Beechwood Avenue, Cherry Hill, NJ 08002.

On behalf of the membership of ACBOA, please accept our appreciation for this opportunity to present to the Subcommittee our views in opposition to the Federal funding of the High-Speed Rail Line Project between Philadelphia, PA and Atlantic City, NJ. This project was authorized by the lame-duck Congress of last term in the Rail Safety and Service Improvement Act of 1982.

ATLANTIC CITY BUS OPERATORS ASSOCIATION

ACBOA is a non-profit trade association of over 80 bus companies and affiliated non-carriers, many of which are based in or maintain facilities in the Philadelphia and Atlantic City metropolitan areas. ACBOA was expressly created in 1981 to further the goals and objectives of the motor bus industry serving Atlantic City. With the establishment of gaming casinos in Atlantic City, members of the motor bus industry quickly realized the importance of their industry in the revitalization and prosperity of Atlantic City. Members of the bus industry may properly enjoy substantial credit and recognition for contributing to the acknowledged success of the Atlantic City casinos. During the month of October 1982, motor carrier operators transported more than one million passengers, in over 31,000 buses, to Atlantic City casinos. This figure represents the largest number of passengers ever recorded for a single month by the Atlantic County Transportation Authority.

Atlantic City is, in fact, the focus of the world's single largest passenger bus operation. The planning behind the placement of the casinos in Atlantic City recognized the city is strategically located within an easy driving distance of approximately 30 million people. The availability of extensive bus transportation

to capitalize on the convenient driving distances to Atlantic City was a major factor in the decision to place casinos in that locale. As a measure of the wisdom in that marketing strategy, we understand Atlantic City casinos are expected this year to surpass the casinos of Las Vegas in total business volume.

Approximately 85 percent of the motor bus companies bringing tourists and casino patrons to Atlantic City are ACBOA members. ACBOA's affiliate membership rolls include other Atlantic City and Atlantic County organizations, including casinos. Attached to my statement as Appendix A is a roster of ACBOA membership, evidencing a diverse and substantial constituency.

THE ATLANTIC CITY RAIL LINE LEGISLATION

On January 14, 1983, President Reagan signed into law legislation amending the Railroad Revitalization and Regulatory Reform Act of 1976. That amendment, which was included as part of the Pipeline Safety Authorization Act of 1981 (H.R. 3420), authorizes $30 million to be made available to the State of New Jersey to rehabilitate and upgrade track and signal systems on the line between Philadelphia and Atlantic City to permit a minimum rail service speed of 79 miles per hour by September 30, 1985. This action is intended to provide safe passenger rail service to Atlantic City, connecting to Amtrak's existing Northeast Corridor service between Washington, D.C. and Boston.

This statute, now cited as part of the Rail Safety and Service Improvement Act of 1982, sets September 30, 1985, as the deadline for rehabilitating the Altantic City rail line. It requires a staggering of expenditures over the 3-year period and instructs the Secretary of Transportation to release each year's authorized funds to Amtrak. The release of such funds, however, is contingent upon the State of New Jersey, in consultation with Amtrak, developing and approving a plan for the operation of the Atlantic City rail line by June 1, 1983. If Amtrak determines the plan is feasible, the Secretary of Transportation then is required to make the funds available.

In a recent legislative move affecting the Atlantic City rail line, Congressman James J. Florio, Chairman of the House Energy and Commerce Subcommittee on Commerce, Transportation and Tourism, introduced a bill, H.R. 2429, to amend Section 403 of the Rail Passenger Service Act on April 7, 1983. H.R. 2429 would obligate Amtrak to accept reduced-fare, multiple-ride commuter tickets on the Atlantic City rail line if Amtrak receives a "reasonable offer" of reimbursement, or subsidy, from a state or a commuter authority. The proposed amendment, a copy of which is attached to my statement as Appendix B, is seen as an attempt to encourage Amtrak to provide commuter service on the Atlantic City rail line.

The provision of Atlantic City commuter service by Amtrak would represent a reversal of its often-stated position that commuter service is primarily a local matter and should not properly be the responsibility of our "national railroad." At recent community hearings throughout South Jersey on the Atlantic City rail line proposal, State DOT officials have received a barrage of complaints from New Jersey residents over Amtrak's virtually "closed-door" service proposal between Philadelphia and Atlantic City. Institution of such a plan would deprive residents of New Jersey communities along the right-of-way of any commuter service benefits. As of today, the economic and logistical feasibility of providing commuter service on the Atlantic City rail line remains unsettled.

THE ACBOA POSITION

The private sector bus industry, comprised primarily of ACBOA members, now provides low-cost, frequently-scheduled, door-to-door passenger bus service between Atlantic City and points along much of the East Coast, including the Philadelphia metropolitan area. The bus industry conducts that service without any Federal subsidies. In fact, ACBOA members pay an estimated $4.4 million a year in tolls for use of the Garden State Parkway and Atlantic City Expressway enroute to and from Atlantic City. By our calculations, therefore, we are a net contributor to the highways. These toll

contributions in our unique market differ from the estimated 8 cents per mile indirect subsidy bus operators receive in other markets. It is far less than the $35.00 per passenger mile direct subsidy Amtrak receives.

The superior transportation service provided by ACBOA members is a principal reason for the successful revitalization and prosperity of Atlantic City and its casinos. The casinos have enjoyed such phenomenal patronage that Atlantic City casinos already are "capping" the number of buses permitted to serve the casinos because gaming facilities in many instances already are simply incapable of serving additional customers. The slot machines and gaming tables in the casinos often are so crowded, the casinos are being forced to reduce the number of buses which otherwise would disgorge many more patrons at their doors. This is particularly true on Fridays, Saturdays, and Sundays throughout the year. But for this artificial cap, the bus industry represented by ACBOA easily could continue to expand its services in transporting casino patrons. ACBOA members can accommodate any growth in the business capacity the city and casinos may develop, including the scheduled openings of several new casinos in the next few years. With private automobiles and air service, we have saturated the market.

In this period of record budget deficits, continuing recession, record post-war unemployment, and massive cut-backs in social and health services for the American people, the membership of ACBOA opposes Federally-subsidized competition in the form of the Atlantic City rail line. We have proven the success and cost-efficiency of our existing privately-funded passenger service. The bus operations to and from Atlantic City by members of ACBOA represents the initiative of private enterprise at its best--the provision of a needed transportation service in an efficient and low-cost manner at no government expense.

At a time when the nation's highways are crumbling, our bridges are collapsing, and other vital public services are declining, ACBOA urges this Subcommittee and the Congress to reconsider the wisdom

of spending an estimated $90 million in capital funds, and untold millions more in operating subsidies, for an unnecessary rail line. We provide an admittedly efficient, low-cost, responsive transportation service not only between Atlantic City and the Philadelphia metropolitan area, but between Atlantic City and more distant points in states such as Connecticut, New York, Pennsylvania, Maryland, Delaware, and Virginia and the District of Columbia. In addition, existing private and public sector commuter bus service is widely available throughout the communities in New Jersey Amtrak has no desire to serve, and is available on a more flexible, convenient, and lowcost basis than ever could be provided by a publicly-owned, heavy fixed-rail system.

Members of ACBOA have a common interest with legislators on many matters of serious concern to South Jersey, including the projected $100 million cost of repairing the Ben Franklin Bridge, a vital route over which bus companies and many South Jersey commuters must travel daily between Philadelphia and Camden. This is but a significant example of the many deserving local projects which must compete for scarce tax dollars. ACBOA respectfully submits the Federal Government, financed by the already overburdened American taxpayer, has no business competing with private enterprise in the Atlantic City transportation market by subsidizing the construction, and ultimately, the operation of the Atlantic City high-speed rail line.

REASSESSMENT OF THE ATLANTIC CITY RAIL LINE PROPOSAL

Since passage of H.R. 3420 in the lame-duck session of the last Congress, ACBOA believes certain factors have become clearer which require a reassessment by Congress of the wisdom of Federally-funding the Atlantic City rail line project. Specifically, we believe this Subcommittee and the Congress should consider the following 5 major points in assessing whether a continuing need exists for the Atlantic City rail line.

1. Rail Line Not Cost Effective

Even the strongest proponents of the Atlantic City rail line

have acknowledged the $30 million Congress authorized for its improvement will not be sufficient to pay for all of the needed station and track improvements. See, e.g., Atlantic City Press, January 12, 1983, at 18. Appendix C. New Jersey Transportation Commissioner John Sheridan has said more money will be needed because the expected $30 million Federal appropriation will only enable the rail line to be upgraded "to the barest of acceptable standards," and that station and grade-crossing improvements would not be covered by the $30 million. See, Atlantic City Press, January 12, 1983, at 1. Appendix D. Further, various New Jersey state and local sources have estimated an additional $30 to $60 million would be needed. See, Atlantic City Press, January 15, 1983, at 10. Appendix E.

In addition to the true capital cost of reconstructing the Philadelphia-Atlantic City rail line, which even ardent proponents admit approaches $90 million, Congressman William Hughes (2nd Dist.-NJ), candidly admitted to ACBOA representatives in a meeting on February 28, 1983, that operating subsidies would be required for at least the first several years after the proposed Atlantic City rail line initiated service. In discussion before the Atlantic City Chamber of Commerce, we understand proponents of the rail line have even proposed the diversion of Atlantic City Expressway's toll revenues to fund the rail line's operating debt. In other words, bus operators and other individual motorists would be forced to subsidize rail operations.

The true capital outlay for the Atlantic City rail project is nearly three times the $30 million authorized by the Congress for this project, and millions more in operating subsidies will be required merely to provide "closed-door" service between Philadelphia and Atlantic City. The membership of ACBOA urges Congress to reexamine the wisdom of committing such massive sums of money to the project when the private sector bus industry presently provides superior transportation service at a low-cost paid entirely by the passengers served. ACBOA asks this Subcommittee and

Congress how the expenditure of money on the Atlantic City rail line by government at a level representing the true capital and operating costs involved, can be justified in this time of record budget deficits which have caused virtually universal concern in the governmental, financial, and business sectors? We believe it is not justified.

Even assuming the ridership projections of the rail line's proponents of between 4 and 4.5 million passengers per year, a capital outlay of $90 million alone, apportioned on an annual passenger volume basis, would represent an expenditure of approximately $20.00 per rider. It is acknowledged most of these anticipated passengers will be casino patrons. Gamblers from Philadelphia, for example, would thus receive a federal subsidy of nearly $1.00 for every 2 miles traveled, to which federal operating subsidies must be added.

In ACBOA's view, the expenditure of the true capital and operating costs involved on the Atlantic City rail line simply does not make good economic sense. We believe it is significant to note for this Subcommittee and the Congress that the Administration apparently agrees with our position on this issue. Attached as Appendix F to my statement is that portion of the Administration's Fiscal Year 1984 Budget concerning expenditures for the Northeast Corridor. This budget expressly provides no money for funding of the Atlantic City Rail Line Project and relieves the U.S. Department of Transportation of any obligation to reserve or expend money for the project. ACBOA respectfully requests this Subcommittee and Congress to recognize the economic realities of our day and adopt the Administration's budget recommendation on this issue.

2. Duplicative Commuter Service Not Feasible and Too Expensive

Under the statutory authorization for the Atlantic City Rail Line Project, Amtrak has been designated to play a pivotal role in working with the State of New Jersey to develop an operational plan for the rail line. Ultimately, it must pass judgment upon the operational plan's feasibility. In underataking its statutory

obligations, Amtrak has emphasized recently it does not propose to run any commuter service on the Atlantic City line. Apparently, Amtrak's professional judgment is that a true high-speed rail service between Atlantic City and Philadelphia, which under the authorizing legislation must run at a minimum of 79 miles per hour, is only feasible technologically, economically, and logistically by running essentially a "closed-door" service from origin to destination.

New Jersey residents at numerous hearings conducted by New Jersey DOT have protested against development of the proposed "closed-door" rail line. The view communicated is that such service would only result in problems, not benefits, for New Jersey communities along the right-of-way. New Jersey DOT Assistant Commissioner Melvin Lehr has acknowledged recently the validity of criticism of Amtrak's proposal to serve only the casinos on a closed-door run is valid. Lehr has been quoted as saying, "I think when we're talking about intercity passenger service, the people are right on.... It services only Atlantic City." See, Atlantic City Press, March 25, 1983, at 17. Appendix G.

The argument that rehabilitation of the Atlantic City rail line would enable residents of Cherry Hill, Camden, and other New Jersey towns along the rail line to take advantage of the thousands of new job openings in Atlantic City as more and more casinos open, has been one of the early and continuing justifications for the project. See, Atlantic City Press, January 12, 1983, at 18. Appendix C. New Jersey DOT Assistant Commissioner Lehr recently reported, however, Amtrak officials are "not interested in providing commuter service" and had ruled out DOT's requests to include stops at Cherry Hill and Hammonton in their operating proposal. Lehr further reports DOT officials do not see much hope of turning Amtrak around on the commuter question. See, Atlantic City Press, March 29, 1983, at 3. Appendix H. ACBOA asks this Subcommittee and Congress why, if commuter service is not to be provided or at least is not recommended by Amtrak, the organization

which by law is entrusted with the ultimate decision concerning the feasibility, should the American taxpayer, particularly those in New Jersey, be asked to consider funding the Atlantic City rail line? ACBOA believes no good reason exists.

As a strong advocate favoring the Atlantic City line, Congressman Florio introduced H.R. 2429 on April 7, 1983, Appendix B, to require Amtrak to accept commuter tickets and monthly passes if the State "reimburses" Amtrak for the difference in the price of Amtrak's proposed fares. Assertedly, although not clear in its text, the bill would provide that subsidy by including the Atlantic City line in an existing Federal program, known as Section 403(d) service, created for the purpose of supplying money for Amtrak reimbursements. Congressman Florio has been reported as saying that funding for the reimbursement of Amtrak for expenses incurred in honoring commuter tickets would be provided in full by his proposal. See, Atlantic City Press, April 7, 1983, at 1. Appendix I.

Even if Amtrak could be persuaded legislatively to offer a "commuter service," as the bill introduced by Congressman Florio apparently attempts to do, the concept of subsidized, heavy rail commuter service is totally at odds with Amtrak's often-repeated professional goal of getting out of the commuter business. Serious questions concerning feasibility and cost immediately arise in considering commuter service on a rail line mandated by law to provide service at a minimum speed of 79 miles per hour. Multiple commuter stops at intervening points on the line between Philadelphia and Atlantic City is necessarily inconsistent with high-speed rail service, and would thereby deter true intercity passengers from using rail service to Atlantic City.

Aside from detracting from the speed of Amtrak's proposed service, even proponents of the proposed commuter subsidy admit additional captital contributions will be necessary to build or renovate train stations at likely commuter stops along intervening New Jersey points. Millions of dollars would have to be spent for stations, grade crossings, etc., in addition to the substantial

drain of massive rail operating subsidies on government treasuries.

The membership of ACBOA believes no justification exits for spending untold millions in capital and operating subsidies on a fixed-rail commuter line when existing private and public sector commuter bus service is available on a more flexible, convenient, and low-cost basis. Trailways, for example, provides frequent, expeditious, non-subsidized round-trip commuter service between Atlantic City and Philadelphia for only $10.95 per person. New Jersey Transit provides such round-trip service at the subsidized rates of $4.65 per person. Comparable privately - and publicly-financed commuter bus service is widely available throughout communities in New Jersey which Amtrak has no desire to serve, but for which the proposed legislation may require rail service.

Amtrak's proposed $20.00 round-trip fare between Philadelphia and Atlantic City obviously cannot be justified as cost effective when compared to the existing non-subsidized, privately-operated commuter bus service at almost one-half the cost. In the spirit of common business sense, ACBOA respectfully requests a reassessment by this Subcommittee and Congress of the wisdom of embarking on the massive Atlantic City Rail Line Project, requiring untold millions of dollars in capital and operating subsidies, when the feasibility of providing the desired service is questionable and the costs before subsidy on a per passenger basis are almost twice that of currently available private sector commuter bus service. When an operating subsidy is added to the price of an Amtrak ticket, the real cost of service undoubtedly approaches triple the cost of nonsubsidized bus fares.

3. Proposed Non-Commuter Rail Service Not Feasible, Nor Beneficial

In examining the fixed-rail, fixed-termini characteristics of the proposed high-speed rail service between Philadelphia and Atlantic City, ACBOA detects a number of serious deficiencies in the overall concept affecting passengers, the local communities in which they live, and Atlantic City. Consider, for example, a passenger in suburban Philadelphia, whether he lives in Pennsylvania or New Jersey, who may wish to travel to Atlanic City casinos on a

gambling venture. That passenger will have to travel by some mode of transportation to the 30th Street rail station in downtown Philadelphia to board the train to Atlantic City. Once that passenger arrives in Atlantic City, he must again secure local transportation to reach his ultimate destination, probably one or more of the Atlantic City casinos.

Unlike existing bus service in which passengers are transported almost directly door-to-door between their suburban homes in the Philadelphia metropolitan area and casino destinations in Atlantic City, the rail link would entail local transportation problems at origin and destination. Considering the impact on Atlantic City of such a local transportation need, unlike existing bus transportation where passengers literally are taken directly to the doors of the various casinos, the rail link would entail the simultaneous arrival of a multitude of passengers at one central location, a train station. The local transportation necessary to ultimate destinations would thereby cause additional local traffic, inconvenience, and expense or a need for yet another, expensive "show case" project like a people mover or some similar means of serving casino customers. The massive influx of passengers attendant with the arrival of a multi-car train will require a great number of local buses or other transit devices to move passengers between the rail station and destination points in Atlantic City. This will contribute significantly to local traffic congestion. A Casino Bus Management Study, prepared for the Atlantic County Transportation Authority in October 1982, rejected a similar central terminal concept for incoming buses for the same reasons. Appendix J.

In comparison, 49-passenger motor coaches, which many ACBOA members operate, presently are staggered to arrive and discharge passengers at Atlantic City casinos in the most coodinated and efficient manner possible. Such coordination enables casinos to avoid much congestion upon arrival and departure of passengers. Casinos would have no similar control, however, over the schedule of train arrivals and departures and the required feeder operations

of local buses needed to distribute such passengers over the several miles of city streets between casinos.

Members of the bus industry ACBOA represents have worked closely with officials of the State of New Jersey and the Atlantic County Transportation Authority to initiate an appropriate bus management program in the Atlantic City area. Financed by a $1.00 levy on every bus entering Atlantic City, the program will allow coordination and management of which routes buses may traverse, where they may park, etc. See, Atlantic City Press, March 31, 1983, at 20. Appendix K. Once initiated, expected to be in time for the peak season this summer, the bus management program should contribute significantly toward ensuring continued high-quality passenger bus service while, at the same time, protecting the interest of the local community. Institution of the proposed rail service, necessarily requiring a multitude of motor vehicles such as vans, buses, taxis, rental cars, etc., to transport passengers between the rail station and ultimate destinations in Atlantic City, will likely upset the finely-tuned and delicately-balanced local transportation system now in place where as many as 1,000 motor coaches a day discharge and pick up passengers at Atlantic City casinos.

At present, ACBOA understands Atlantic City has no adequate passenger rail station, no proposed local transportation system to accommodate the anticipated rail passengers, and no money to pay for either critical element of the rail proposal. A mere desire for service at Atlantic City by all transport modes is simply fiscally irresponsible. Further, the prime beneficiary of the rail line may be a single casino. We understand the one casino has purchased the property on which the Atlantic City rail station must be built. The station might, therefore, funnel Federally-supported gamblers into a single gambling establishment. See, N.Y. Times, N.J. ed., March 27, 1983, at 16. Appendix L.

Faced with these numerous negative factors accompanying the incomplete, but tremendously costly rail proposal between Atlantic City and Philadelphia, ACBOA urges this Subcommittee and Congress

to take a very "hard look" at this project. Under the scrutiny of such a "hard look", the membership of ACBOA believes the Congress in its wisdom will agree the massive costs involved in constructing and operating the rail line cannot be justified.

4. Positions of the Administration and Amtrak

In testimony on March 14, 1983, before the Subcommittee on Surface Transportation, U.S. Senate Committee on Commerce, Science and Transportation, Mr. Thomas A. Till, Deputy Administrator of the Federal Railroad Administration, emphasized the importance of continuing the joint efforts of the Administration and Congress to establish Amtrak's operations on a more business-like basis and to reduce its financial dependence on the Federal Government. As part of that effort, Mr. Till noted Congress has required greater objectivity in route and service decisions. Referring specifically to the Administration's budget proposal of $68 million in new appropriations to meet Amtrak's capital needs in Fiscal Year 1984, Mr. Till emphasized this budget proposal specifically excludes funding for certain capital projects [such as the Atlantic City rail line] for which funds were previously earmarked by Congress. Mr. Till specifically noted:

> ...Congressional earmarkings for specific trains and routes...if implemented would displace scarce capital from Amtrak's already modest program supporting its current system. Actual operation of most of the earmarked service would further drain Amtrak's operating subsidy and threaten its progress in meeting or bettering its 50-percent operating ratio.

Mr. W. Graham Claytor, Jr., President and Chief Executive Officer of Amtrak, testified before the same Senate Subcommittee on March 14, 1983. He acknowledged the Administration's $68 million in proposed Amtrak capital funds for Fiscal Year 1984 would be adequate to fund Amtrak's capital program requirements, only assuming Fiscal Year 1983 legislation such as that directing $30 million for Atlantic City track reconstruction be funded from the existing Northeast Corridor Improvement Project, is cancelled or otherwise funded. Mr. Claytor, departing from his prepared remarks in response to a question posed by Subcommittee Chairman Danforth,

admitted Amtrak had not requested new-route projects such as the one designated in the last Congress for Atlantic City.

ACBOA believes it is highly significant the professional staff and managers of Amtrak, whom most all in this Congress and elsewhere agree are doing an admiral job in improving Amtrak service, did not take the initiative in introducing the proposed Atlantic City service. At a time when other members of the Congress are extremely concerned with Amtrak's recommendations to its Board of Directors to abandon segments of rail service throughout the country, such as the total abandonment from the State of Wyoming being recommended in favor of a more scenic route through Colorado, the authorization of Federal funds to finance construction and undoubtedly to subsidize operations of a rail link which primarly will transport gaming patrons to and from Atlantic City is an anomaly.

Even should proponents of the Atlantic City rail line argue its necessity as a commuter service, even Congressman Florio has correctly acknowledged the Reagan Administration opposes the basic Section 403(d) funding program for commuter service which reportedly has been proposed for the Atlantic City line. In his testimony on March 14, 1983, before the Senate Subcommittee on Surface Transportation, Mr. Till of the Federal Railroad Administration reported two of the three major policy changes which the Administration is proposing in legislation to enhance Amtrak's ability to maintain a national rail passenger system will include: (1) increasing State and local funding for Section 403(b) services to an appropriate level and (2) transferring responsibility for funding Amtrak 403(d) commuter services to State and local transportation agencies.

Mr. Till reported the Administration is proposing amendments to Section 403(b) of the Rail Passenger Service Act that would increase the State and local subsidy for these State-requested services to <u>100 percent</u> of the long-term avoidable losses of operating the service, <u>plus</u> the associated <u>capital</u> and labor protection costs. In Mr. Till's words:

> The Federal Government's responsibility for funding Amtrak services should be limited to the basic national system of intercity rail passenger service. Services added to the basic system at the request of State and local governments to serve the needs and interests of their citizens should be funded by the State and local governments requesting the service.

The second of the Administration's legislative proposals involves Amtrak commuter services. Mr. Till emphasized in his testimony operation of commuter services is a local, rather than a national responsibility. Speaking for the Federal Railroad Administration, Mr. Till argued commuter services operated by Amtrak should not be funded by the Federal Government. The Federal Railroad Administration therefore proposed that commuter services be funded on the same basis as Section 403(b) trains, with State and local entities providing at least 100 percent of the long-term avoidable losses of operating the service, plus all the associated capital and labor protection costs.

Mr. Claytor, in his testimony before the same Senate Subcommittee on March 14, 1983, noted the Administration, in its Fiscal Year 1984 budget, assumes a $9 million savings by requiring states or communities and passengers to pick up 100 percent of the cost of Section 403(d) commuter trains, or by eliminating the services. Accordingly, at a time when the Administration proposes to shift completely away from the Federal Government the capital and operating expenses involved in commuter train operations, the Atlantic City rail line project, including the "commuter financing" amendment contained in the bill introduced by Congressman Florio on April 7, 1983, is an anomaly. The proposed massive expenditure of capital and operating funds on the Atlantic City rail line as a commuter run is totally at odds with the reality of existing budgetary constraints. Indeed, the proposed limits of the 403(d) program may well mean New Jersey residents will be required to "up the ante" for casino patrons' fares.

ACBOA endorses the position of the Administration on this issue, as reported by Mr. Till, that the Federal Government's

responsibility for funding Amtrak services should be limited to the basic national system of intercity rail passenger service. In this regard, Mr. Till emphatically expressed Administration opposition to the Atlantic City rail line in testimony given on April 12, 1983, before the House Appropriations Subcommittee on Transportation and Related Agencies. See, Atlantic City Press, April 14, 1983, at 4. Appendix M. ACBOA submits the proposed rail line between Philadelphia and Atlantic City is not and cannot legitimately be considered a part of this nation's basic national system of intercity rail passenger service.

5. Rail Line Threat to Private Sector Jobs

Construction and operation of the Atlantic City high-speed rail line would provide Federally-funded competition to the private sector service ACBOA members now provide, thereby endangering jobs and private investments. Members of ACBOA have invested substantial resources in providing their low-cost, high-frequency, door-to-door service. Member Trailways, Inc., for example, has constructed a $3 million terminal facility in Camden, NJ, to provide its Atlantic City service. Trailways is one of the few companies to open a major new business operation in Camden in recent years and also is one of the largest minority employers in the City of Camden.

Literally hundreds, if not more than a thousand employees, representing a multi-million dollar a year private-sector payroll, depend collectively on the Atlantic City operations of ACBOA's members for their jobs. To illustrate ACBOA's integral private-sector transportation operations to and from Atlantic City, and the extreme importance those operations have for the continued financial health of ACBOA's members and its employees, ACBOA asks the Subcommittee to consider the representative statistics of individual ACBOA members attached as Appendix N to this Statement. We emphasize the data presented on individual member bus companies are merely representative of the many additional ACBOA members which depend to a great extent on their Atlantic City passenger operations for their livelihood.

Faced with these realizations, the relatively few, short-term job positions to be created by the construction activity on the rail line cannot be used to justify the undertaking of the rail line project. This is particularly true considering the loss of private sector jobs in Camden, Trenton, Atlantic City and other South Jersey communities would be threatened by the unfair subsidized competition against ACBOA's members on a rail project for which there is little evident need.

A loss of revenues to New Jersey through a reduction of tolls collected on the Atlantic City Expressway and Garden State Parkway may result if the heavily subsidized Atlantic City rail line induces a substantial reduction in bus traffic destined to Atlantic City. ACBOA questions whether New Jersey residents or the Federal Government will be called upon in one form or another to pay for the losses in toll revenues caused by the heavily subsidized rail line.

CONCLUSION

In considering testimony on the issue of the Atlantic City rail line project, ACBOA urges this Subcommittee and Congress to recognize the unique nature of the Atlantic City transportation market. The need for mass transportation to and from Atlantic City literally has been created in the space of a few short years with the construction of gaming casinos. Unlike intercity travel between major metropolitan areas such as New York and Washington, D.C., the overwhelming percentage of travelers to Atlantic City are destined to nine specific gaming facilities.

The membership of ACBOA has worked very closely with the management of the various casinos to create the most efficient, cost-effective, and expeditious transportation service possible. The motor passenger industry represented by ACBOA's members legitimately may claim having played a large role in the initial and developing success of the Atlantic City casino experiment. Faced with the on-going personalized motor passenger service, tailored precisely to the needs of the individual casinos and the bus

passengers served, it is incongruous that the Federal Government should now enter this specialized market by subsidizing the construction and operation of a fixed, heavy-rail line which is not cost-effective, not tailored to meet the needs of the casinos to be served, not convenient for the passengers whom the rail proponents presume will take advantage of the service, but will support a narrow special interest, the casino gambler.

Faced with these realities, ACBOA respectively requests this Subcommittee and Congress to withdraw its support for the Atlantic City rail line project and adopt, as proposed, that portion of the Administration's Fiscal Year 1984 budget which provides no money for funding of the Atlantic City rail line and relieves the U.S. Department of Transportation of any obligation to reserve or expend money for the project.

[CLERK'S NOTE.—The appendixes referred to throughout Mr. Sussman's statement are available for review in the subcommittee files.]

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR

Senator ANDREWS. Our next witness will be Mr. Ross Capon, executive director of the National Association of Railroad Passengers.

Let the chairman make this point. It is now 11:05. We are 35 minutes behind schedule. In the interest of the other people who have come a long way to testify, we apologize to you for the early people taking too much time.

Senator Byrd and myself have to leave at 12 for other commitments. So, we will run the lights. When the red light comes on if you have not summarized your statement, that is it.

But let me assure you again, your full statement will appear in the record. It is the only way we can accommodate those witnesses at the end of the list without asking them to travel back at some other point in time.

Mr. CAPON. Our association opposes Amtrak's plan to replace trains with buses at Clearwater and St. Petersburg and hope the Appropriations Committee will not approve that plan.

We support full funding of Amtrak's $800 million request.

We support various expansions of service listed here which Amtrak's management is engaged in looking at.

We oppose the administration's proposal to further increase the State's share of funding under section 403(b), noting that the major increase will not take place until October 1.

We support continued operation of sunset commuter trains.

We appreciate your efforts and the efforts of the subcommittee to improve the public transportation in this country and particularly the amendment to which you alluded to earlier this morning.

We remain concerned about the extent of bias against rail projects which exists in this country and the world, noting that the World Bank, among many other organizations forces rail projects to meet much more stringent economic standards than it does with highway projects.

The role of the Federal Government in funding new rail transit systems by the gas tax law increases the Federal share of certain highways while the administration seeks to decrease the share of rail transit systems, the gas tax law itself reduces the Federal share of rail transit with tight limits on Amtrak.

We do recognize progress and credit the committee with a great deal of effort.

Senator ANDREWS. Thank you for an excellent statement and for your great cooperation.

Senator Byrd, do you have any questions?

Senator BYRD. No, sir, Mr. Chairman.

[The statement of Mr. Capon follows:]

STATEMENT OF ROSS CAPON

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present the views of our Association, which is non-profit, consumer-oriented, and supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroads, or the rail labor unions.

I. Summary

Our Association:

--opposes Amtrak's plan to replace trains with buses at Clearwater and St. Petersburg;
--supports full funding of Amtrak's $800 million request;
--supports expansion of Amtrak to include service to Oklahoma, Atlantic City, St. Louis-Carbondale, IL (creating direct Kansas City-New Orleans service), Cape Cod, and daily service on the New Orleans-Houston-Phoenix-Los Angeles and Chicago-Dallas-San Antonio routes;
--strenuously opposes increasing the state share of support required under Section 403(b), noting that the major increases which Congress required in the 1981 law don't even take effect until next October;
--supports continued Amtrak operation of Section 403(d) "sunset commuter" trains;
--calls to the Subcommittee's attention the fact that the NY-Washington-Charleston, WV-Cincinnati-Chicago "Cardinal," which NARP has consistently supported but which was criticized even by Amtrak management as a political albatross less than two years ago, is today regarded by Amtrak as "a relatively low-cost train," as Amtrak's Vice-President--Corporate Planning and Development, Timothy P. Gardner, stated to our board of directors on April 22;
--reminds the Subcommittee that the Stockman plan for Railroad Retirement would cost Amtrak $10.8 million in FY '84 and $13.7 million in FY '85 and hopes that, in the case of Amtrak, compensating additional funds will be provided.

II. Overview

We appreciate the longstanding efforts of this Subcommittee to provide America with a more balanced transportation system than successive administrations have advocated. We think your efforts to improve public transportation, especially intercity and local rail transit, are more in tune with public needs and opinion. But the intensity of the anti-rail bias in this country and institutions it influences shouldn't be underestimated, and we urge you to continue to strengthen support for an alternative to the highway system and its associated 50,000 fatalities per year.

Consider the following:

*When the World Bank looks at highway projects, it does so with an engineer and an economist, but when it looks at rail projects it does so with an engineer, an economist, and a financial analyst. This exactly parallels the high economic standards which Amtrak is forced to maintain in contrast with the virtual lack of economic standards the U. S. applies to highway construction.

*The federal government is now in the position of trying to ram over-sized trucks down the throats of unwilling state highway departments, a move which will enhance the ability of trucks to compete against railroads but certainly not the economics of highway construction and maintenance.

*The administration is dragged ever-so-reluctantly into supporting construction of new rail transit systems. As yesterday's Post reported, "When [UMTA's Arthur E.] Teele [Jr.] was asked...about the administration's druthers, he said it would prefer to finance the backlog of rail modernization projects instead of new starts." But neither the administration nor the Congress adopts an "either/or" posture towards highway maintenance/new construction. Teele, quoted in characterizing his own testimony: "I would not say my testimony was a ringing endorsement of new starts, but I'm prepared to say we're working right now to determine the order and level of new starts that we'll be recommending to OMB and Congress before the markup is completed."

*The Surface Transportation Assistance Act of 1982 increases the federal share of certain highways: the Great River Road and certain other roads go from 75% to 95%; highways intensely used for energy requirements rise to 85%; and Interstates remain at a hefty 90%. At the same time, the federal share of transit construction costs of projects not previously committed drops from 80% to 75%.

*Amtrak is effectively constrained from introducing any new services which do not cover their incremental costs, a situation which means little if any new services will be introduced (other than Auto-Ferry), much to the dismay of our membership and the large segment of the population whose support has permitted Amtrak to at least survive in the face of countless administration assaults.

To sum it up, we require rail transit services to meet much more stringent economic tests than highways, the resulting pervasiveness of the automobile system limits

public transit options, and the gas-tax money machine (under the guise of "user charge") works to reinforce these patterns by funneling most (until recently, all) gas-tax money back into highway projects, many of which have been strongly opposed by private citizens.

III. Amtrak's Success

Amtrak has done a remarkable job of controlling costs while holding service cuts to a minimum and implementing some service increases. Amtrak's operating grant requirement dropped 23% from FY '81 ($720 million) to FY '82 ($555 million) in real dollars; in constant dollars the drop was 28%. Although NARP did not support all of the 1981 service cuts, we agree that they included the last of the services for which near-term viability prospects were poor. Consequently, Amtrak President W. Graham Claytor, Jr., was able to state at his first news conference, last Oct. 26: "I think we believe all the trains we're now running can be made to meet the criteria."

IV. Important Service Expansions

Atlantic City-Philadelphia: The restoration of through service between downtown Atlantic City and Amtrak's 30th Street Station in Philadelphia as well as through cars to New York, Harrisburg, Washington, and intermediate points, should:

*improve the environmental situation in Atlantic City, lessening highway congestion and/or the need for new highway construction;

*provide an ideal opportunity for joint public/private terminal development (construction is most economical before the terminal is open to passengers);

*bring more traffic onto the Northeast Corridor;

*increase the appeal of Atlantic City as a travel destination for people who live some distance away;

*reduce the number of long highway trips involved in Atlantic City travel.

Oklahoma: When Amtrak's former Oklahoma service was discontinued in 1979, it was outperforming three routes which continue today with dramatically improved performance (including the Cardinal). It is probable that, had the Oklahoma service continued, it would today be meeting the criteria.

We're glad to note an April 25 release from the office of Rep. Mickey Edwards (R-OK) reporting Amtrak's commitment to "undertake within the next few weeks a study to investigate the current economics involved in restarting service to Oklahoma," the study to "be completed by the end of the summer."

Daily Sunset/Eagle: We have urged Amtrak to consider operating the Los Angeles-New Orleans "Sunset" and San Antonio-Chicago "Eagle" daily. 1984 will see the Olympics in Los Angeles and the World's Fair in New Orleans. The "Eagle" has responded extremely well to its 1981 restructuring, which included operation into the main San Antonio station for the first time and establishment of through Phoenix-Los Angeles cars via the "Sunset" west of San Antonio. Currently, "Sunset" does relatively little short-haul business on the key LA-Phoenix-Tucson and Houston-New Orleans segments, presumably because the tri-weekly service is not useful to people making short trips; such markets should come alive with daily service.

St. Louis-Carbondale: We support strengthening the Missouri-sponsored St. Louis-Kansas City "Mules" by extending them to Carbondale, creating a through service Kansas City-Jefferson City-St. Louis-Carbondale-Memphis-Jackson-New Orleans. Amtrak is already investigating this, and ran a St. Louis-Carbondale test train Mar. 17. This service would strengthen both the "Mules" and the Chicago-New Orleans run, which currently has lighter loads south than north of Carbondale. In addition, direct connections at St. Louis would be possible for people traveling between points along the Chicago-Springfield-St. Louis line and points south of St. Louis to Carbondale-New Orleans.

Cape Cod: We understand that the New York-Cape summer runs were profitable for the New Haven Railroad even in the final year of operation, 1964. Traffic congestion has grown dramatically on the Cape since then and no new bridges over the canal have been built. Massachusetts has already invested some money in the tracks, and will invest more. A diesel-powered tourist railroad already uses the tracks between Buzzards Bay (on the mainland) and Falmouth/Hyannis. It handled 3,500-4,000 passengers/week last July and plans to add baggage cars "to carry both baggage for travelers who use the railroad as transportation onto the Cape and bicycles." [Pasr. Train Jnl., 12/82]

V. Capital Investment

Amtrak's improved financial performance today is largely due to previous capital investments, and continued investment will be needed to avoid repeating the cycle

of service quality and financial decline which recently ended and to enable Amtrak to expand and become more cost-effective. Maintaining terminals in Dallas, Houston, and Phoenix for tri-weekly service is not cost-effective! Fulfillment of Amtrak's requests for capital funds is also important to preservation of a domestic rail passenger car industry.

VI. Section 403(b) Trains

We oppose the administration proposal to force states to pay 100% of the costs of trains now jointly funded by Amtrak and the states, and we are equally opposed to any further increase in the state share beyond those already enacted. Not until FY '84 will the states bear the brunt of the stiff increases enacted in 1981. That law will require states to pay 65% of short-term avoidable costs instead of 50% of "solely related" costs except for startup years. The 1981 law thus forces states to pay a higher percentage of a bigger cost-base.

It also stiffened start-up year requirements. The previous law required states to pay 20% of solely related costs the first year a route operated and 35% the second year; the 1981 law now in effect allows only a one-year "discount"--45% of short-term avoidable costs in the first year of operation.

It's uncertain how much of the 403(b) program will survive full implementation of the 1981 law, particularly in light of Amtrak's decision to charge the states for depreciation and interest, even though Amtrak itself does not pay such charges. The state share of the (NY)-Albany-Montreal "Adirondack's" cost was $385,471 in FY '82 and is estimated to be $745,000 in FY '84, a 93% increase. Much of this increase comes from Amtrak's decision to use full depreciation and interest costs when it calculates "associated capital costs," a decision which seems questionable in light of the fact that Congress has exempted Amtrak from paying state and local taxes and has deferred Amtrak's interest payments since the 1981 law was passed.

Any attempt now to eliminate the federal share would be virtually the same as killing the program outright.

VII. Section 403(d) Trains

Most of the states involved are currently struggling with the implications of the Jan. 1, 1983, exit of Conrail from the operation of commuter trains for which the states are already responsible. This is hardly the time to hit these states with a new responsibility which the federal government has borne through Amtrak until now. It may be relevant to note that those "sunset trains" serving Philadelphia are part of Amtrak because Amtrak fought legal battles to get control of them over ten years ago. We hope that Amtrak will consider operating Chicago-Valparaiso service as a single daily round-trip to improve its economic viability.

VIII. Clearwater/St. Petersburg

We are opposed to Amtrak's plan to discontinue train service at these cities and to invest $1.3 million to replace St. Petersburg maintenance facilities with facilities at Tampa. We do not believe that forcing passengers to transfer to buses will "improve service," as Mr. Claytor claims. We don't see any passengers saving 70 minutes in total trip time. We estimate the St. Petersburg time-saving would be 30-35 minutes northbound and about 45 minutes southbound. Thus, someone traveling from St. Petersburg to New York on the "Silver Meteor" with bus connection would save 35 minutes or 2% of trip time, a negligible benefit when offset against the inconvenience of the forced transfer. The great advantage of the train is its accessibility--the number of locations it serves as compared with airplanes.

It's one thing to require "Zephyr" passengers to transfer to a bus to reach San Francisco from the Oakland rail terminal. There is no alternative there, and San Francisco is a transit-oriented city with many people accustomed to transfers.
In Florida, there is no such transit orientation and a higher proportion of the riders are older people who may resist the transfers. It is questionable whether, after one subtracts riders who drive to Tampa and who discontinue use of Amtrak, enough passengers will remain to justify continuing bus service.

Finally, there is the question of coordinating federal investments. In too many places, new rail transit systems are not connecting with Amtrak--in Baltimore, Miami, Portland, and Buffalo, to cite four cities with reasonably decent Amtrak service (minimum is six trains/day at Miami). Florida DOT is working to establish a light-rail line between Clearwater (near the Amtrak station) and downtown St. Petersburg. If Amtrak continues to serve Clearwater directly, the light-rail/Amtrak interchange at Clearwater could become quite popular.

During the interim, Amtrak could improve efficiency if our members are successful in persuading the City of Tampa to raise the speed limit for Amtrak trains, something we understand the city is seriously considering now.

We urge this committee not to approve Amtrak's plans in this case.

AMERICAN PUBLIC TRANSIT ASSOCIATION

STATEMENT OF JOE ALEXANDER, CHAIRMAN

ACCOMPANIED BY:

JACK R. GILSTRAP, EXECUTIVE VICE PRESIDENT OF APTA
JOHN ANDREWS, GENERAL MANAGER, SIOUX FALLS TRANSIT
ROY HERRING, DIRECTOR OF TRANSPORTATION, JACKSON, MISS.
GALEN C. LARSON, MANAGING DIRECTOR, THE MILWAUKEE COUNTY TRANSIT SYSTEM
WARREN H. FRANK, EXECUTIVE DIRECTOR, CENTRO, SYRACUSE
VICKIE V. SHAFFER, GENERAL MANAGER, TRI-STATE TRANSIT AUTHORITY, HUNTINGTON, W. VA.
MICHAEL H. SETZER, GENERAL MANAGER, THE BI-STATE DEVELOPMENT AGENCY, ST. LOUIS
WARREN HIGGINS, TRANSPORTATION COORDINATOR, METRO DADE COUNTY TRANSPORTATION ADMINISTRATION, MIAMI
KEN GREGOR, GENERAL MANAGER OF MARTA, ATLANTA
BERNIE FORD, EXECUTIVE DIRECTOR, CHICAGO TRANSIT AUTHORITY

Senator ANDREWS. Our next witness will be Joe Alexander, chairman of the American Public Transit Association.

Welcome to the subcommittee.

Mr. ALEXANDER. I am Joe Alexander, chairman of the American Public Transit Association, and a current member and former chairman of the Washington Metropolitan Area Transit Authority.

I would like to introduce the people here, Mr. Chairman, if there are any questions.

With me is Jack R. Gilstrap, executive vice president of APTA, along with a number of my transit colleagues from cities across the country: Mr. John Andrews, general manager from Sioux Falls Transit; Mr. Roy Herring, director of transportation from Jackson, Miss.; Mr. Galen C. Larson, managing director of the Milwaukee County Transit System; Mr. Warren H. Frank, executive director from Centro in Syracuse; Ms. Vickie V. Shaffer, general manager of the Tri-State Transit Authority in Huntington, W. Va.; Mr. Michael H. Setzer, general manager of the Bi-State Development Agency in St. Louis; Mr. Warren Higgins, transportation coordinator for the Metro Dade County Transportation Administration in Miami; Mr. Ken Gregor, general manager of MARTA in Atlanta: and Mr. Bernie Ford, executive director of the Chicago Transit Authority.

Senator ANDREWS. Might I assure your colleagues from Mississippi that Senator Stennis was here for quite some time. He wanted to welcome you to the subcommittee. He is a very valuable member of this subcommittee and a good friend of mine.

Mr. ALEXANDER. We deeply appreciate it.

Senator ANDREWS. I am sure Senator Byrd is here because of your colleague from West Virginia. He is a great friend and gives good advice. When I take his advice, I don't get into near as much trouble.

Mr. ALEXANDER. We appreciate the opportunity to be here to discuss the fiscal year 1984 budget on public transportation. We appreciate your help in putting in additional funds for transit in the Senate budget deliberations. We know you work very hard. We do appreciate that.

We have provided the subcommittee with extensive written testimony and several of my colleagues have already provided the subcommittee with background information and written testimony.

I would like to summarize the key points and refer you to the detailed discussion that is contained in the written testimony.

We will be available for questions if you have any.

Mr. Chairman, it is our view that the administration's budget is completely inadequate, both with respect to the enormous scope of transit needs and with respect to the principles and objectives contained in the Surface Transportation Assistance Act of 1982.

Our basic message today is quite simple: We believe it is absolutely essential to provide appropriations for fiscal year 1984 at the full authorized levels contained in the Surface Transportation Assistance Act of 1982.

Full funding is essential not only to meet the important objectives of the act, but to insure that basic transit services in communities across the country will survive.

In reviewing Federal transit funding levels since 1979, it is apparent that the budget levels proposed by the administration substantially reverse the past Federal commitment to public transportation.

I refer you to table 1 in our testimony and the chart to my left which indicates that:

The administration proposal for fiscal year 1984 represents a decline of $666 million from the level of funding available this year; and

It sets major program funding back below the levels provided in 1980.

The table also indicates that the addition of new gas tax funds—understood to be net new money—is nothing more than a direct substitution for massive cuts in general funds.

The capital needs of the transit industry and the communities it serves are extensive and urgent. We currently project the need for a sustained, capital investment program of $6.4 billion, annually, to restore and rehabilitate badly deteriorated equipment, to upgrade services and to meet new demands through new rapid rail construction.

Table 3 in our written statement summarizes these needs and amply illustrates the reason full funding is essential if any significant progress is to be made.

Mr. Chairman, meeting the operating needs of the transit industry is equally critical.

The administration proposes to cut operating assistance an additional 68 percent from authorized levels; these reductions, combined with recent inflation rates, would effectively reduce the buying power of Federal operating support by more than 80 percent from 1980.

The impacts of the proposed cut in operating assistance are even more devastating now than we have reported in the past.

The single most alarming finding from our most recent surveys is that 55 percent of the small communities around the country may see transit services eliminated if operating assistance is cut another 68 percent.

The situation is almost as severe in medium and larger cities, and I might say, Mr. Chairman, that the representation here is small, medium, and large cities around the country. So we are really representing the interests of all the people in the country as far as transit is concerned.

We have survey results attached to our written statement that indicate no system or community in the country can hope to sustain even basic public transit service under these conditions.

Finally, the wholesale elimination of Federal operating support would place a tremendous chill on the capital program—what possible logic is there in upgrading our capital plant, if the resources to adequately maintain it and operate it are withdrawn?

Mr. Chairman, we strongly disagree with the reasoning used by the administration to justify the proposed fiscal year 1984 budget.

Contrary to the administration's view, we find absolutely no evidence that State and local governments can be expected to fill the gaps created by the wholesale withdrawal of Federal transit funds.

Second, there have been persistent claims by the administration and others that the industry has failed in its stewardship of Federal funds and its control of labor costs. In fact, the reverse is true and our statement highlights a number of significant trends in the labor area since the inception of the operating assistance program.

These trends clearly demonstrate that wage and other settlement patterns reflect positively on both transit labor and management's stewardship.

Finally, with respect to recently released census information, very careful attention must be paid to a host of factors not included in the census analysis. The census figures provide a severely limited point of reference that does not clearly account for the fact that:

Transit remains a vital service even in those areas which have lost population; and

Transit use and needs in rapidly growing parts of the country is mounting steadily.

In closing, let me simply restate our purpose in appearing before you, and that is to urge the subcommittee to appropriate the full amount of funding authorized in fiscal year 1984 by the Surface Transportation Assistance Act of 1982.

Our Nation's transit needs are overwhelming; the newly authorized program is sound and fully justified; and the consequences of not following through with it will be devastating—economically and socially.

Thank you for the opportunity to appear today and if there are any questions, we will be happy to field them.

Senator ANDREWS. Thank you very much. We appreciate your excellent statement.

[The statement and attachment of Mr. Alexander follow:]

STATEMENT OF JOE ALEXANDER

Thank you Mr. Chairman and members of the Subcommittee. I am Joe Alexander, Chairman of the American Public Transit Association and member of the Board of Directors of the Washington Metropolitan Area Transit Authority. With me this morning is Jack R. Gilstrap, Executive Vice President of APTA, along with:

Mr. John Andrews, General Manager, Sioux Falls Transit, Sioux Falls, South Dakota;

Mr. Roy C. Herring, Director of Transportation, Jackson, Mississippi;

Mr. Galen C. Larson, Managing Director, Milwaukee County Transit System, Milwaukee, Wisconsin;

Mr. Warren H. Frank, Executive Director, Central New York Regional Transportation Authority, Syracuse, New York;

Ms. Arna V. Shaffer, General Manager, Tri-State Transit Authority, Huntington, West Virginia;

Mr. Michael H. Setzer, General Manager, Bi-State Development Agency, St. Louis, Missouri;

Mr. Warren Higgins, Transportation Coordinator, Metro Dade County Transportation Administration, Miami, Florida;

Mr. Kenneth Gregor, General Manager, Metropolitan Atlanta Rapid Transit Authority, Atlanta, Georgia; and

Mr. Bernard Ford, Executive Director, Chicago Transit Authority, Chicago, Illinois.

The American Public Transit Association represents nearly 300 bus and rail transit systems across the country which carry 94 percent of all transit riders in the United States. In addition, APTA's membership includes nearly 300 manufacturers and suppliers of transit equipment, consultants, contractors, state and local departments of transportation and planning agencies, and universities.

On behalf of the nation's transit industry, we are pleased to appear today to discuss the Administration's FY 84 budget proposals for public transportation--proposals which have shocked those of us who fought so hard to provide a reasonable and stable base of support for public transportation through the Surface Transportation Assistance Act signed by the President in January.

I think it is safe to say that the transit industry is still numbed by the extent to which the Administration's budget proposal for FY 84 has undercut the basic commitments to public transportation contained in the new Act--a bill they fought doggedly to see passed, a bill the President signed into law with great fanfare, and a bill whose key provisions they now propose to disregard in the budget and appropriations process.

Mr. Chairman, I would like to call your attention to the remarks made by the President at the bill signing ceremony in January:

> I quote: ". . . We can now insure for our children a special part of their heritage--a network of highways and mass transit that has enabled our commerce to thrive, our country to grow and our people to roam freely and easily. . ."

Despite the President's expression of support, it seems clear that there is little intention of providing such assurances to our nation's transit users or to the communities where public transportation continues to be vitally important.

The budget proposal for FY 84 essentially ignores the major transit elements of the new Act and in so doing poses a serious threat to the broad goal of upgrading, maintaining and improving our nation's basic public transit services.

Mr. Chairman, our purpose in appearing before you today is to urge the Subcommittee to provide for public transit the full funding that is authorized for 1984 by Title III of the Surface Transportation Assistance Act of 1982 (STAA).

In looking back on the provisions of the STAA and the difficult process that led to its enactment, there can be no doubt that the bill truly does represent a landmark piece of legislation, if the provisions which are now law are fully supported.

I should note that a substantial, 16 percent reduction in transit operating assistance for FY 1983 and subsequent years was contained in the Act. This cut is causing significant hardship and uncertainty in many areas. The bill, however, also provides for a number of very positive and long-sought changes in the federal transit program:

1. It represents a recommitment to public transportation as a vital public service, nationwide, and continues a successful 18-year intergovernmental partnership in transit that is essential to meet national economic, social, environmental and energy goals;

2. It provides added flexibility in the use of funds, including the option of shifting limited capital funds to operating purposes;

3. It provides for a larger share of funds to be allocated on the basis of more meaningful formulas, which for the first time include service factors and performance measures;

4. It provides a reasonable split of funding between cities of different sizes and systems employing different modes;

5. It retains a vital federal commitment to support the operation and maintenance of federally-assisted capital equipment;

6. With the dedication of new gas tax revenues, it provides for a stable and reliable source of capital funding at levels that are essential for the continued viability of basic public transportation services and the construction of much needed new systems.

With the passage of the STAA, however, the only way that the tremendous promise of the bill can be realized is through the full appropriation of authorized funds. Without appropriations at fully authorized levels--and particularly under the Administration's budget proposal--the urgently needed modernization of existing public transit facilities will be seriously jeopardized; essential new systems and improved services will be cancelled, delayed, or deferred; and, a growing number of systems will face drastically reduced services, and in many cases, a complete shutdown. The effects will be highly counterproductive with respect to national objectives which we all recognize and which are directly served by continued provision of basic public transportation:

1. Mobility for our citizens, particularly the transportation-dependent, will be seriously diminished rather than insured as the President suggested;

2. Mobility for our labor force will be restricted at a time when economic conditions are already exacting a terrible toll;

3. The substantial job-creation potential of both transit capital investments and operating expenditures will be lost;

4. Support for economic growth through the restoration of essential public services and balanced transportation will be seriously diminished, in direct contradiction of the nation's most pressing current goal; and,

5. Continued efforts in improving our environment and reinforcing energy conservation measures will suffer.

In order to avoid these damaging consequences, our testimony this morning restates what we believe to be the basic needs of the transit industry as well as the means and rationales for seeing that those needs are effectively met under the provisions of the new STAA. In addition, we would like to provide the Subcommittee with information and insights that will serve to correct some of the misconceptions that seem to lie at the heart of the Administration's philosophy on transit.

THE GAS TAX AND OVERALL FUNDING LEVELS

We have testified at length in both Houses of Congress and before this Subcommittee over the last two years on the scope of transit's needs, both capital and operating. Before we provide a current update of needs and funding levels for FY 84, I would like to review for the Subcommittee the pattern of federal transit funding levels since 1979. Table 1 indicates appropriation levels from 1979 through 1984 for the major UMTA programs and illustrates one of the most basic and fundamental disagreements we have with the Administration's budget request.

As you know, the addition of one cent in gas tax funds for transit capital purposes was to be new money, presumably over and above then current FY 83 levels to meet the urgent capital needs that are beyond the funding levels of the current program. This commitment was related to the transit community numerous times and was expressed directly and repeatedly to members during floor debate over the gas tax bill. I expect that ultimate passage of the gas tax was due in no small part to this basic understanding and the knowledge of how urgently these new funds are needed in communities across the country.

Table 1, however, clearly illustrates that the Administration's budget proposal simply substitutes new gas tax funds for reductions in general revenues. The major UMTA programs for FY 83, exclusive of gas tax revenues and funds from the recent jobs bill, amounted to $2,874 million. The net addition of $1,250 million in authorized gas tax funds should have brought major program funding to over $4 billion in FY 84. Instead, the Administration has proposed major programs be funded at barely $3.0 billion. Although the gas tax has been added, general funds have been reduced almost dollar-for-dollar. There can be no question that one of the key understandings which led to passage of the gas tax has been totally disregarded in the FY 84 budget proposal. Communities around the country which have identified and programmed urgently

TABLE 1

Trends in UMTA Program Appropriations FY 79 - FY 83
Compared to FY 1984 Authorizations and FY 1984 Administration Budget Report
(In Millions)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84 Authorized (PL 97-424)	Administrations Request for FY 84
	(ACTUAL APPROPRIATION LEVELS)						
Discretionary Grants:							
Section 3	$1250.	$1710.	$2190.	$1681.	$1692.[1]	$1250.	$1100.
Formula Grants:							
Section 5	1375.	1405.	1455.	1365.	1200.	----	----
Section 9	----	----	----	----	779.	2750.	1974.
Section 18	76.5	75.	72.5	68.5	68.5	80.6[2]	57.8[2]
TOTALS	$2701.5	$3190.	$3717.5	$3114.5	$3739.5	$4000.0	$3074.0

(1) Includes $85.65 million from Jobs Bill, (H.R. 1718) signed into law March, 1983.
(2) Included in Section 9 funding.

needed and cost-effective new systems as well as vital maintenance and rehabilitation efforts will go begging as a result.

Table 1 also illustrates another very alarming feature in the budget proposal--that is, the amount of major program funding proposed for FY 84 is below that provided in major UMTA programs as far back as 1980. Certainly this pattern cannot possibly create a "renaissance" for transit as the Administration has suggested. As will be pointed out below in greater detail, the budget proposal will instead leave every significant transit need unmet, whether it be vital new service deployment or maintenance of essential existing services. In fact, there is every reason to believe that under this budget proposal we will see such drastic service cutbacks, fare increases and system shutdowns that public transportation will cease to exist in a practical sense in many, many areas.

CURRENT TRANSIT NEEDS

Public transit is a $14 billion a year industry, which will require the annual expenditure of nearly $8.0 billion for maintenance and operations, and another $6.4 billion in urgently needed capital investment. As shown in Table 2, even at fully authorized FY 84 funding levels under the STAA, over $10 billion will be required of state and local taxpayers and transit riders to rehabilitate and improve the nation's transit facilities and services.

Table 2

ESTIMATED TRANSIT NEEDS: 1984

Operations	$8.0 billion
Capital	6.4
TOTAL NEEDS	14.4 billion
Authorized Federal Assistance, FY 84	-4.0
State, Local and Farebox Requirements	10.4 billion

In reviewing current transit needs, I would like to begin with the operating assistance program since this has become one of the most contentious issues in the budget debate.

Transit Operating Needs and Funding Levels

Our current figures show that transit operating budgets will require nearly $8.0 billion in FY 84, nationwide. Estimates from 1981 indicate that transit operating costs were met from a combination of sources with fares and other operating revenue providing the dominant and growing source while federal assistance has declined since 1981. Table 3 highlights transit operating revenues by source for 1981.

Table 3

TRANSIT OPERATING REVENUE BY SOURCE (1981)

Source	Percent
Farebox and Other Revenue	42.4%
Local Assistance	29.8
State Assistance	13.8
Federal Assistance	14.0

Since 1981, inflation-driven cost increases, declines in the yield of state and local revenue-raising mechanisms and cuts in federal operating assistance have had a debilitating affect on the transit industry. Including a 10.7 percent inflation rate in 1981 and a 16 percent cut in federal operating assistance in FY 83, transit systems will have to face a 40 percent loss in the buying power of federal aid since 1980, even at fully authorized levels for FY 84. While UMTA has made note of the "savings" that will come from declines in the rate of inflation, there seems to be very little understanding or concern over the wrenching adjustments that are already occurring in transit systems across the country. Between 1980 and 1982, average base fares have increased 38 percent, to a nationwide average of 54.1 cents; fares in many systems are now pushing the dollar mark; service has been cut significantly in many areas; and, ridership has dropped six percent, from 8.2 billion trips in 1980 to an estimated 7.7 billion trips in 1982.

As disturbing and disruptive as these adjustments have been, they are insignificant compared to what will happen under the Administration's proposal to cut federal operating aid another 68 percent, to $275 million in FY 84. The real loss in purchasing power of federal operating assistance from 1980 to 1984 under the Administration's budget would exceed 80 percent. It is this prospect, and the undeniable consequences, that make provision of the fully authorized $875 million in operating assistance absolutely vital in FY 84.

This has been pointed up graphically in recent surveys of APTA members in which systems were asked to gauge the impacts and adjustments that would follow from the Administration's proposed 68 percent reduction.

In response to a March 4, 1983 survey of medium and large transit systems, members indicated that the Administration's cuts in operating assistance would prompt:

--11 percent to shut down; an additional 17 percent would consider a shutdown possible;
--80 percent to continue to raise fares from 10 percent to 375 percent;
--84 percent to state that additional state or local assistance was unlikely;
--69 percent to consider significant layoffs.

In a separate survey of small operators carried out in February 1983, even more drastic impacts were noted:

--50 percent of small systems reported having already raised fares 16 percent to 100 percent in response to FY 82 and 83 operating cuts;
--21 percent have already cut service from 5 percent to 20 percent;
--the proposed 68 percent operating assistance reduction from FY 1983 to FY 1984 would prompt:

  --41 percent to consider a shutdown likely;
  --an additional 14 percent to consider a shutdown possible;
  --33 percent to raise fares again, from 20 percent to 100 percent;
  --56 percent to cut service from 16 percent to 66 percent;
  --33 percent to suggest that increased state or local assistance is unlikely;
  --24 percent to project significant layoffs.

Preliminary summaries from each of these two surveys are attached to our testimony. It should be abundantly clear that even basic services will be in serious jeopardy if the $875 million authorized for FY 84 is not appropriated. As we have testified in the past, the most serious impacts will fall on the smaller systems, which ironically, have experienced

the greatest ridership growth in recent years and which serve a higher proportion of transportation-dependent people.

Finally, I would like to reemphasize in the strongest possible terms that reductions in operating aid cannot be viewed independently from and unrelated to the accepted goal of upgrading the nation's transit capital plant. Contrary to the Administration's philosophy, it makes very little sense, and in fact, is self-defeating to view transit capital and operating needs as independent and unrelated problems. All the much-needed rehabilitation, modernization and new equipment that is essential will be useless unless adequate resources are committed to its operation and maintenance in a balanced way by all levels of government. That is the principle reason why the transit industry and the communities it serves remain adamant about the importance federal support for operations, even at the reduced levels provided for in the STAA. I would only ask the Subcommittee whether or not it truly makes any sense to acknowledge a major federal role in providing capital equipment and deny federal responsibility or interest in seeing that it is adequately maintained and operated.

We will continue to take strong issue with proposals to cut or eliminate federal operating assistance. Later in our testimony, I would like to provide a more complete perspective on some of the misguided philosophy and rationales that continue to be used in defense of these proposals.

Suffice it to say that we view the transit industry's operating needs as absolutely critical and urge the Subcommittee to provide the fully authorized $875 million in operating assistance for FY 84 as part of the new Section 9 Block Grant.

Capital Needs and Funding Levels

In the area of capital requirements, we have also presented the industry's assessment of long-term transit capital needs to Congress and this Subcommittee on a number of occasions. Our ten-year estimates, originally developed from 1981 data have become the currently accepted yardstick in the on-going discussion of program design and funding levels.

Because of the need to create a process by which capital needs can be more rigrously and routinely updated, we are extremely pleased that the major rail modernization needs study requested by Congress and the broader needs assessment mandated by Section 310 of the STAA are now underway. These efforts will hopefully provide a sound and agreed-upon basis for establishing future program requirements and we look forward to playing an active role in each study effort.

APTA's initial ten-year needs estimate indicated that over $50 billion in 1981 dollars would be necessary by 1990 to support basic capital investments. Updating these estimates for inflation indicates that the need has grown to more than $64 billion in 1983 dollars. Table 4 highlights these updated ten-year needs by major investment category, illustrating the need for a sustained, capital investment program of $6.4 billion, annually, over a ten-year period.

The estimates clearly point to the need for a balanced capital investment program. Rail modernization needs are well-known and extensive. The study mentioned above will serve to further refine these critical requirements. Bus needs are equally important since buses are the backbone of the nation's transit service. Both vehicle purchase and replacement as well as extensive efforts to upgrade maintenance facilities are necessary.

Finally, the design and construction of new systems is of paramount importance to rapidly growing areas across the country.

Major new systems are in advanced stages of planning and design in at least a dozen cities. Recent studies such as the "Urban Rail in America" report by the Regional Plan Association of New York suggest that rail systems can be highly cost-effective in corridors in a number of other cities.

Table 4

UPDATED TEN YEAR CAPITAL NEEDS (millions)

Improvement	Estimated 10-Year Need	Average Annual Need
Rail Modernization	$20,920	$2,092
Facilities	15,160	1,516
Vehicles	5,760	576
Rail Extensions	4,810	481
New Systems and Completions	19,420	1,942
Bus and Bus Facilities	19,040	1,904
TOTAL	$64,190 million	$6,419 million

To meet these needs, the STAA authorizes the appropriation of $3,125 million for capital purposes in FY 84, assuming the full appropriation of $875 in authorized operating assistance within the Section (9) formula program. By comparison, the Administration's FY 84 budget contains only $2,799 million for capital--a reduction of $326 million from authorized levels.

It is even more important to note that the proposed FY 84 budget for capital is $65 million below FY 1983 levels, despite the Administration's claim to have provided increased capital aid. These figures are highlighted in Table 5.

Table 5

COMPARISON OF CAPITAL FUNDING LEVELS: 1983-84

Program	'83 Appropriations	'84 Administration Budget	'84 Authorization
Section 3	1,606	1,100	1,250
Jobs bill	86		
Section 5	325	--	--
Tier IV			
Section (9A/9)	779	1,699(1)	1,875(2)
Section (18)	68	(3)	(4)
TOTAL CAPITAL	$2,864	$2,799	$3,125

(1) 1,974 requested, minus $275 operating limitation
(2) 2,750 authorized, minus $875 operating limitation
(3) $58 included in Section 9
(4) $80 included in Section 9

It should be evident from these estimates, that any reasonable progress in rehabilitating and improving the nation's capital facilities will require the full appropriation of $1,250 million in Section (3) gas tax funds and $2,750 million in Section (9) block grant funds. Even at fully authorized levels, difficult choices will remain for both Congress and local officials on the balance of funding to be provided for rail modernization, new systems and bus projects. To facilitate these choices, we feel it is essential to provide maximum flexibility in the use of funds under the STAA, including the use of Section (9) formula funds for new start projects and the use of Section (3) discretionary gas tax funds for bus projects.

SMALL URBAN AND RURAL PROGRAM - SECTION 18

The preceeding analysis has focused on total funding levels and transit needs in the nation's urbanized areas. In addition, however, it is vitally important that adequate support continue to be provided to the hundreds of small urban and rural transit systems across the country. As we have testifed many times before, and as our surveys have continually shown, it is the small systems that are the most fragile and in greatest jeopardy, particularly from the kind of wholesale operating assistance cuts being proposed in FY 84.

Because the Section 18 program is now funded directly as a percentage of the overall Section 9 program, the only way that small urban and rural systems can be assured of adequate funding is to first see to it that the fully authorized $2,750 million in Section (9) is appropriated, and second, that no restrictions or limitations are placed on the use of Section 18 funds for operating.

INDUSTRY STEWARDSHIP OF FEDERAL ASSISTANCE: LABOR COSTS AND PRODUCTIVITY IN THE TRANSIT INDUSTRY

Mr. Chairman, having made a very straight forward and urgent appeal for FY 84 transit appropriations at full, authorized levels, based on the overwhelming transit needs of our nation's communities, I would like to briefly address an issue that I know is of continuing interest to the Subcommittee and about which a great deal of misinformation exists, the issue of labor costs and wage settlement patterns within the industry.

In the debate over the STAA and in continued deliberations over appropriation levels, there has been considerable discussion of an alledged inability and unwillingness on the part of transit managers and labor to effectively control labor costs and increase productivity. The Administration has repeatedly presented an unfavorable and distorted view of the labor-cost issue and the transit industry's stewardship of federal operating funds in an attempt to justify massive budget cuts and total elimination of the operating program.

In considering the critical role of federal operating assistance in maintaining basic transit services, it is vitally important to review the record with respect to industry wage rates, benefits, productivity improvements and incentives, to demonstrate that the availability of federal operating assistance has <u>not</u> created inefficiencies nor weakened management's hand at the bargaining table. In fact, the record shows quite the opposite. Since the beginning of the federal operating assistance program, transit management, in cooperation with labor, has achieved meaningful cost savings and has instituted a variety of measures designed to increase productivity while providing fair and reasonable compensation to transit workers.

In general terms, when reviewing the source of $1 in transit revenues, it defies logic to assert that the contribution

of 15 cents by the federal government, when added to 85 cents provided by state and local taxpayers, would represent an incentive or cause for uneconomic operations or management. It is an insult to transit managers and policy board members to imply a willingness to waste 85 cents of local taxpayers money to capture 15 cents from the federal government.

A more specific review of wage settlement patterns and other achievements in transit labor relations since the mid-seventies illustrates that transit management and labor have shown a genuine commitment to and achieved considerable success in promoting cost-effectiveness in public transit.

Transit Wage Rates, the Cost of Living and Wage Movements in Other Industries

Using the 1975 consumer price index as a base, top hourly rates paid to transit operators in 25 systems serving areas over one million population fell 3.7 percent below the increase in living costs between 1975 and 1982. Since 1977, top hourly wage rates declined 6.4 percent relative to the 1975 CPI base. The fact of a larger decline since 1977 is especially noteworthy since federal operating assistance, nearly doubled between 1977 and 1979 and remained constant from 1979 to 1981. Figure 1 illustrates these trends. Clearly, the increase in federal operating assistance has not been a cause of, or even coincident with unreasonable wage rate increases. The pattern has been the opposite.

This positive relationship is reinforced when the average annual transit wage increases in these 25 systems is compared to major collective bargaining settlements in the private sector from 1976 to 1982. Department of Labor data indicates that in five of the seven years between 1976 and 1982, the average transit wage increase was less than that yielded by

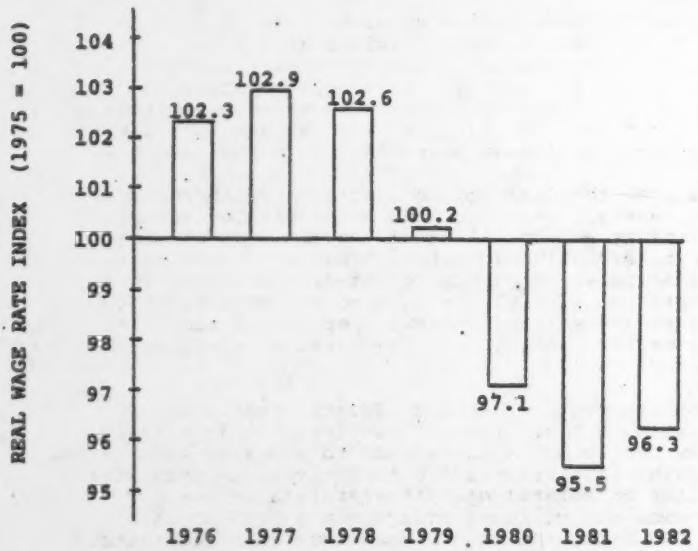


Figure 1

REAL TOP HOURLY WAGE RATE TRENDS IN TRANSIT:
25 Major Cities Over 1 Million Population

major agreements in other industries. Over the entire period from 1976 to 1982 cummulative annual average wage increases show the following pattern:

Transit	68.6% increase
Major collective Bargaining Agreements (All industries)	77.0% increase
Manufacturing	82.1% increase
Non-Manufacturing (Excluding Construction)	7[illegible].0% increase
Transportation and Public Utilities	81.4% increase

When comparing highly unionized industries (35 to 60 percent of workers under contract) with the 25 transit systems (100 percent of drivers and mechanics under contract), transit wage increases since 1975 were lower than those in nine of ten other industry groups, as indicated in Figure 2.

Finally, wage movements for transit operators from June, 1981 through 1982 are the lowest among several major categories of workers, with the most dramatic contrast occuRring between transit operators and state and local government employees:

Transit	9.5% increase
All Civilian Workers	10.9% increase
Private Industry	10.3% increase
Union Workers	
Manufacturing	10.8% increase
Non-manufacturing	12.7% increase
State and Local Government	14.0% increase

It is clear that when consistEnt time periods and properly adjusted data used, the pattern of major transit operator wage settlements is one to be envied and praised rather than ridiculed.

Contract Modifications, Work Rules and Incentives

The same positive trend highlighted above in major transit wage settlements is evident in the agreements reached between transit labor and management on Cost of Living Adjustments (COLAs), escalation clauses, starting wage rates, part-time provisions, employee incentives and a host of work rule changes that improve productivity.

Since 1978, COLAs have been reduced or eliminated in 78 contracts. In the aggregate, transit systems where escalators have been deleted or modified since 1978 employ a majority of all workers in the industry. As a result of the reduction in fixed wage increases, management and labor are increasingly able to bargain in response to local circumstances and conditions.

Since the mid-seventies, starting wage rates have been reduced, particularly for vehicle operators, and compressed wage structures for skilled and unskilled workers have been adjusted.

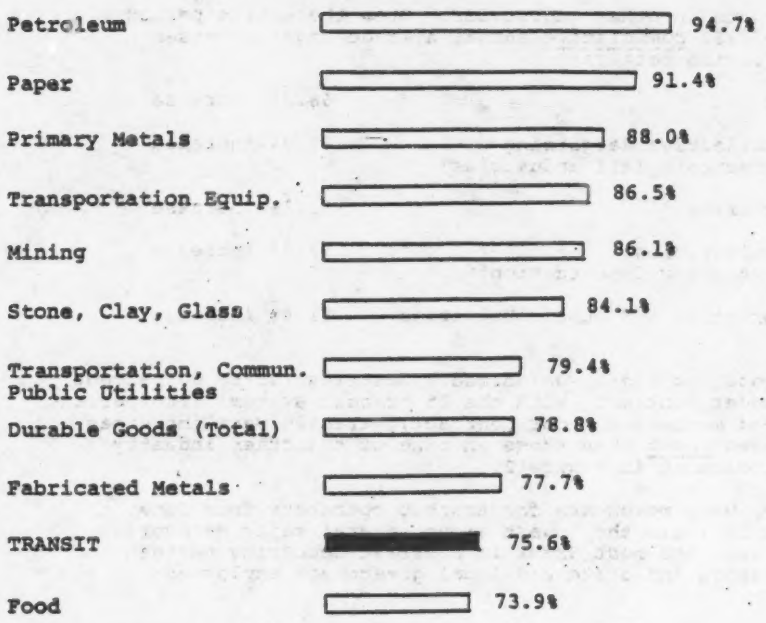


Figure 2

INCREASE IN AVERAGE HOURLY EARNINGS OF WORKERS IN HEAVILY UNIONIZED INDUSTRIES: Cummulative, 1975-1982

Measures aimed at improving worker and system productivity have also been aggressively pursued, including the rapid increase in part-time provisions now in evidence across the country. At the present time nearly half of the nation's transit systems have some form of part-time labor provision. This is contrasted by virtually no part-time provisions at medium or large properties prior to 1977. Again, the positive trend in the use of part-time operators has coincided with the increase in federal operating assistance.

Finally, in addition to part-time provisions, a host of other changes are being made to enhance productivity on an increasingly frequent basis. These changes include jointly negotiated cost-cutting measures related to sick-leave, vacation, holiday allowances, guarantees, penalties as well as a host of new worker incentive programs.

Finally, as an ultimate measure of the true effectiveness and efficiency of public transit since the inception of the operating assistance program, the cost-per-passenger to operate a public transit system has dropped 2.7 percent in real terms from 1975 to 1980.

It should be apparent even from this broad summary that the transit industry and its work force have been increasingly effective and innovative stewards of federal assistance. We expect these patterns to continue through careful management and responsible negotiation, but certainly these trends cannot be maintained if essential federal operating support is drastically reduced and withdrawn.

On a related matter, Mr. Chairman, I would also like to make some comments on the Administration's proposition that states and local governments can make up for the proposed 68 percent reduction in federal operating support.

INCREASED STATE AND LOCAL FINANCING FOR TRANSIT

One of the principle rationales used in support of the proposed elimination of transit operating assistance is the ability and willingness of state and local governments to make up for declines in federal aid. This view is, in part, based on an incorrect premise that there should be no federal role in supporting transit operations. Regardless of intergovernmental philosophy, however, current conditions overwhelmingly indicate that state and local governments are not in a position to shoulder the burden of a substantial federal withdrawal. To suggest otherwise totally ignores the current economic and fiscal plight of state and local governments, a condition for which no significant immediate improvement is foreseen.

At the present time states provide roughly 14 percent of transit operating revenues and local governments provide roughly 30 percent. To replace the cuts proposed in both federal capital and operating aid for FY 84, state and local governments would have to increase their taxes by close to $1 billion in the next five to 17 months.

This would have to be accomplished at a time of record unemployment, in the face of continued taxpayer opposition to new state and local taxes, within revenue structures typically bound by severe statutory and constitutional limits and without any foreseeable transfer of federal revenue sources. Politically, the prospect is remote, at best.

Financially, state and local governments are similarly in no position to assume the potential burden. Surveys over the last two years graphically point this out and the most recent survey results continue to provide a dismal picture.

In January, 1983 the National Conference of State Legislatures surveyed the 50 states on their current fiscal condition and found:

--19 states projected a deficit for 1983 (illegal or unconstitutional in most cases);

--11 states projected less than a one percent surplus;

--44 states projected less than the five percent surplus, which is considered the prudent minimum balance.

To remedy these circumstances, the survey found that 43 states were already seeking significant tax increases without any consideration of the transit cuts or other reductions in assistance being proposed by the Administration. An equally large number of states are already reducing services and cutting outlays.

Mr. Bertram Wakely, Associate Director for Executive Management of the Council of State Planning Agencies has suggested that, "the crisis has been the nosedive in revenues from the taxes levied directly by the states themselves. . . Many states have had to raise taxes. However, rather than increase overall revenues, these tax boosts are simply attempts to recover and recapture 'recession reduced' revenues. Even with these tax measures, revenues are lower than expected, and officials in many states are having to exercise some form of 'cutback management'."

As far as reversals in this trend are concerned, analysis by the Advisory Commission on Intergovernmental Relations led to the observation that, "the possibility of a strong revenue resurgence in the near future is extremely slim for most of our 50 state/local systems."

Municipal finances are equally strained. A recent study of 301 cities, nationwide, done for the Joint Economic Committee

(JEC) of Congress by staff from the Government Finance Research Center of the Municipal Finance Officers Association indicated that:

--In 1981, 40 percent of the respondents reported deficits (i.e. operating costs and debt service exceeded revenues);

--In 1982, 60 percent were anticipating deficits;

--the largest increases in deficits were in smaller cities;

--the largest percentage of cities with deficits were in the over 250,000 population category (47 percent in 1981; 63 percent in 1983).

The most recent survey by the National League of Cities (NLC) reinforces findings of the JEC study. NLC also found that less than 10 percent of the cities surveyed indicated that local funds could be used to make up for all or part of federal program cuts.

The NLC study includes the following exerpt:

"The near term outlook is bleak. . .It is important (however) that state and federal government not be allowed to shift the burden of their fiscal problems to cities with deeper cuts in intergovernmental aid during the fiscal 1983 and 1984."

It is abundantly clear that neither states nor local governments are in a position to assume the financial responsibility of massive federal transit cuts. As we indicated earlier, APTA member transit systems are fully aware of this--84 percent of small systems see no prospect of increased state or local aid; 94 percent of the medium and large systems who recognized a critical need for increased state and local funds also see the prospect as unlikely.

On a related topic, efforts have been made recently to suggest that past or proposed declines in federal assistance have prompted an increase in the adoption of new sources of dedicated state and local transit aid. A recent UMTA news release suggested that, 'since 1981, 25 new local actions have been successful in securing a new dedicated source of funding for transit'. In fact, a review of these 25 "new" actions showed that:

--only 11 are actual totally new dedicated transit taxes;

--9 are extensions of previously existing dedicated taxes (with three increases);

--2 are shifts from one existing dedicated source to another;

--one is activation of exsiting authority;

--one has been rescinded.

The general implication that dedicated taxes have come about in response to declines in federal aid is also in error. In fact, as Figure 3 shows, the percent of state and local funds from dedicated sources has risen directly as federal operating assistance rose from 1975 to 1979; the percent of dedicated funds has declined as federal operating assistance stabilized and began to decline from 1981.

The clear implication is that state and local dedicated sources are encouraged and "leveraged" in response to the

availability of federal assistance, in order to provide reliable matching funds. In short, the intergovernmental partnership works.

From these observations, we believe that any loss of federal assistance, will, for the foreseeable future, represent a near total net reduction in overall support for transit--the exact circumstance that has triggered the devastating prospects mentioned in the survey responses summarized earlier.

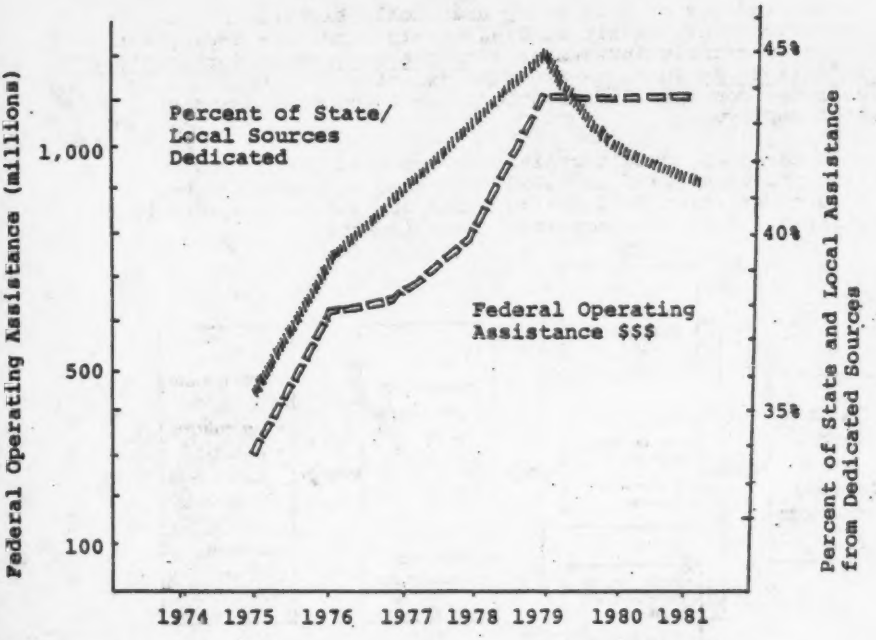


Figure 3

RELATIONSHIP OF FEDERAL OPERATING ASSISTANCE AND PERCENTAGE OF DEDICATED SOURCES FROM STATE AND LOCAL FUNDING

Mr. Chairman, the remainder of my testimony addresses itself to two final issues which only serve to reinforce the importance of public transit investment and the need for fully authorized funding in FY 1984. The first issue is the very substantial job creation potential of transit investments; the second is the misinterpretation of recent Census reports on transit use.

EMPLOYMENT IMPACT OF TRANSIT CAPITAL INVESTMENTS AND OPERATING EXPENDITURES

As suggested earlier, the scope of transit needs across the country is more than adequate justification for the commitment of full funding levels as authorized in the STAA. Another important dimension and justification for full funding, however, is the substantial employment impacts stemming from both transit capital investments and operating expenditures.

In 1982, public transit was a $12.5 billion a year industry. The combination of transit capital and operating expenditures is estimated to support over 900,000 direct and indirect jobs, nationwide.

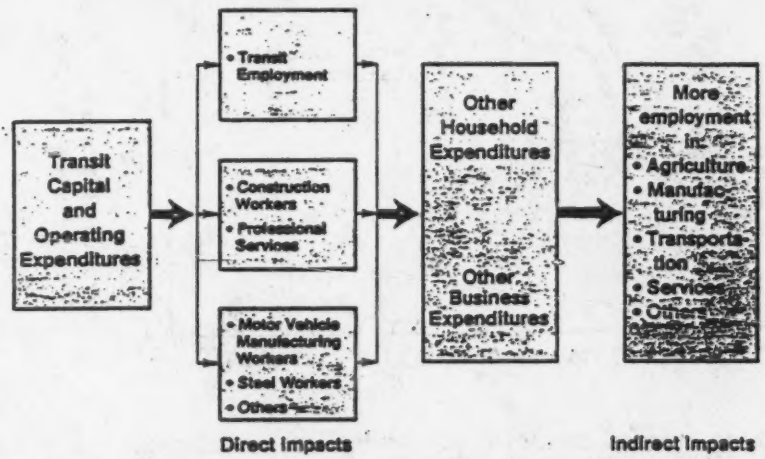
APTA has recently completed an extensive analysis of the employment produced from various types of transit investments,

a copy of which is attached to our testimony. The analysis was based on the application of input-output techniques, using the Regional Industrial Modeling System (RIMS II) developed by the U.S. Department of Commerce, Bureau of Economic Analysis. Total employment (direct and indirect) was estimated for each $100 million of expenditure on transit capital projects and operations.

[CLERK'S NOTE.—A copy of the analysis referred to is retained in the subcommittee files and is available for inspection.]

The findings of this study are highly significant in the deliberation over transit funding levels since the employment produced by transit investment-- or the employment foregone due to reductions in funding--are considerable. Figure 4 illustrates conceptually how the flow of funds to transit creates employment.

In terms of transit capital investments, each $100 million produces 7,450 to 7,990 full-time equivalent jobs, with some variation between the types of transit projects being considered. Table 6 summarizes these impacts.



Transit investment provides direct employment opportunities to support transit activities and indirect employment generated by initial investment dollars flowing through the economy.

Figure 4. JOB CREATION FROM TRANSIT INVESTMENTS.

Table 6

EMPLOYMENT IMPACTS OF TRANSIT CAPITAL INVESTMENTS

	Full-time Equivalent Jobs per $100 million Invested		
Employment	New Rail Systems	Rail Modernization	Bus and Bus Facilities
Total	7,990	7,600	7,450

It is important to note that the largest employment impacts from capital investments in transit occur in industries which are currently among the most depressed in the country, including the construction, motor vehicle, metal and wholesale industries.

Since the Administration's budget includes a reduction from authorized levels of capital investment of approximately $325 million, the creation or retention of roughly 25,000 total jobs may be foregone.

Similarly, each $100 million of operating expenditures supports 9,610 full-time equivalent jobs. Investments in transit operations, therefore, support roughly 20 percent more employment than capital investments. This is the logical consequence of transit operations being much more labor-intensive than capital construction. It also points up the fact that cuts in operating aid will have far more serious consequences in terms of job creation and retention. As a result of the proposed reduction in operating assistance from the $875 million authorized in FY 84 to $275 million, over 57,000 jobs would be lost.

In summary, not only does the transit budget proposed by the Administration fail to meet critical transit needs in communities across the country, the reductions being proposed will prompt the loss in those same communities of nearly 82,000 potential jobs that would be created or supported under fully authorized funding levels. Clearly, national economic objectives and the important goal of maintaining and rebuilding our nation's public transit infrastructure are reinforcing justifications which argue strongly for the provision of fully authorized funding levels.

RECENT CENSUS FINDINGS ON WORK TRIP TRANSIT USE

Considerable attention has recently been given to Census figures indicating a national decline in the number of workers using transit to get to work between 1970 and 1980. Although it is difficult to question the veracity or accuracy of the Census results from a statistical standpoint, it is clear that these findings have been misrepresented and misinterpreted at the policy level in several important respects, and that very significant features of transit use and urban travel have not been included as part of the analysis.

Our concern is that the findings and analyses reported to date by the Census be placed in their proper context before they are allowed to inappropriately influence national program or funding decisions. The Census' limited data and narrowly focused analysis must be balanced against a number of critical considerations highlighted below.

Population and Employment Shifts. Any national decline in the number of workers using transit to get to work is almost entirely a result of population and employment shifts out of central business districts and away from our larger metropolitan areas where transit service has historically been most extensive, to areas where transit services are still being developed to meet rapidly expanding needs. These well-recognized shifts from 1970 to 1980 have unquestionably made the provision of public transit a more complex and costly task.

The population and employment trends which may have given rise to the reported decline in workers using transit for work trips in the 70s does not suggest that such a trend will continue. In fact, a recent Census report entitled, "Population Redistribution in the U.S.: Issues for the 1980s," suggests that : 1) population loss from older Northern cities could begin to moderate; and, 2) rapid population loss from older "core" cities of the Northeast and Midwest may begin to moderate simply because it has gone so far. Clearly, the trends of the 1970s do not dictate the full spectrum of needs for the 1980s.

Work Trips do not Reflect Total Transit Use. The most significant and frequent misinterpretation stemming from the Census analysis

is that total transit use has declined and/or lost significance. In fact, the reverse is true.

Although work trips may reflect upwards of 40 percent of transit ridership, the remaining 60 percent of transit use is not included in the Census analysis. In fact, total transit ridership increased markedly, from 7.3 billion trips in 1970, to 8.2 billion trips in 1980, an increase of 12.2 percent. More significantly, total transit ridership increased 25.3 percent from its low point in 1972. This substantial rise in total trips in the latter half of the decade corresponds directly with the growth of the federal operating assistance program.

The substantial national increases in total transit use, 1970 to 1980, were matched by an 11.2 percent increase in transit vehicle miles of service. The relationship of larger total trip increases (12.2 percent) to vehicle mile increases over the same period (11.2 percent) strongly suggests improved effectiveness in the overall expansion of service.

More to the point in analyzing the Census figures, peak vehicles in service in 22 larger areas (i.e., a measure of rush-hour transit demand, service and use) increased 21 percent from 1970 to 1980, while the Census estimated an aggregate increase in worker use of only four percent in these same 22 areas. This represents an indirect but implied contradiction with Census findings on the importance and level of transit use for work trips.

1970 to 1980 Comparisons Hide More Significant Trends. As suggested above, the comparison of 1970 and 1980 data tends to hide more significant trends in total transit use during the decade. While total transit ridership declined until 1972, it began a substantial rise after 1973, most noteably as a result of federal investments in transit operations which began in 1975. Another example of hidden trends is the fact that total ridership has grown the most in smaller areas in recent years, as shown in Figure 5.

The two-point, 1970-1980 Census analysis hides a number of major trends both nationally and at the regional and local level that strongly reinforce the continued significance of transit services and use.

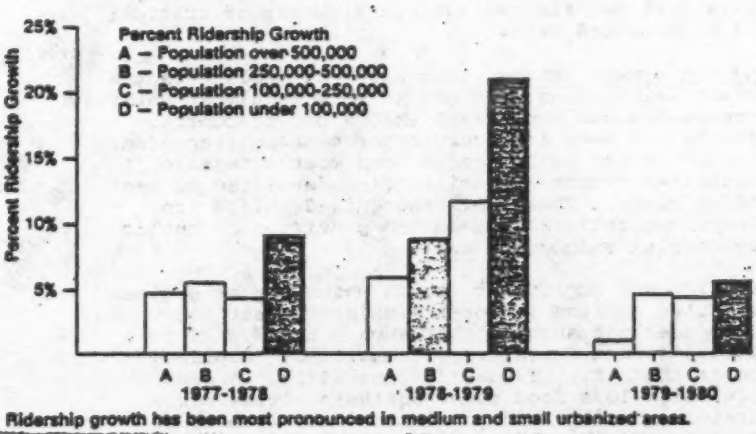


Figure 5

TRANSIT RIDERSHIP GROWTH BY POPULATION SIZE

National Aggregate Statistics and Statistics from Large Areas Are a Poor Focus for Analysis. Census figures and analysis, and subsequent reporting through the media, focus on an estimated nationwide reduction of 487,000 workers who no longer use transit to get to work. Closer review of the reported statistics, however, show that over 95 percent of this net national loss--463,000--occurred in only two SMSAs, New York and Philadelphia.

Adjusted for the estimated losses in these two SMSAs, the nationwide decline is only three tenths of one percent. Any sampling or statistical irregularities in either of the two areas could actually reverse the reported trend for the remainder of the nation.

A related, but equally important point is that despite the declines estimated in New York and Philadelphia, as well as in other areas experiencing reported declines, transit services and use remain extremely high and absolutely vital to the respective regions. Table 7 illustrates this point, suggesting that the reported declines in many areas may be of limited significance in assessing the overall value of transit and may mask the continued dominence of transit in these same regions.

Table 7

PERCENT OF WORK TRIPS ON TRANSIT IN SELECTED CENTRAL BUSINESS DISTRICTS, 1980

City	Percent
New York	80%
Chicago	80%
Philadelphia	64%
Cleveland	50%

The critical point is, first that public transit, regardless of the reported declines in most Northeast and Midwestern cities, remains a strong and vital service in the majority of these areas.

Second, the reported national aggregate loss often is allowed to overshadow the overwhelming gains in the number of workers using transit in major cities in the South and West. For instance, six out of eleven SMSAs in the West for which Census figures are available show increases of more than 100 percent in workers using transit from 1970 to 1980. Third, some of the most pressing transit needs are not accounted for in the Census figures because existing systems have been unable to grow rapidly enough to meet burgeoning demand. Houston, Dallas, Los Angeles, and San Jose are only the most obvious cases, where freeways are clogged and the major new investments in transit are vital.

In summary, the Census figures alone only describe partial aggregate numbers of workers use of transit for work trips over two points in time. They do not usefully portray either: 1) the situation in cities whose "declines" have been noted and acknowledged; 2) the situation in medium and smaller areas where transit use has grown most rapidly; or, 3) the situation in rapidly growing areas where worker use has risen substantially or where current services cannot keep up with demand or need.

Very careful attention must be paid to regional and localized factors before the Census findings can meaningfully contribute to any fair policy or funding debate.

RESEARCH AND DEVELOPMENT FUNDING

Before closing, I would like to direct some remarks TO specific areas of the FY 84 budget related to Research and development. We are concerned that there has been a significant reduction in the modest amount of funding provided for transit R&D. To put this in perspective, the $16.25 million proposed for Bus and Rail Equipment Technology R&D for FY 84 is equal to 0.4 percent of the $4 billion total budget. Under the budget proposal, Rail Technology R&D, related to existing and new conventional rail transit systems has declined from $11.8 million in FY 82 to a proposed $8.25 million in FY 84. This is a reduction of 30 percent in two years. As a result, many qualified and promising projects have been delayed. Some examples of the important projects that are held up are: continued work in rail-car standardization; transit equipment reliability; component data collection and analysis; and corrective actions for water intrusion into older subway tunnels. We consider these efforts important since they address major problems in the existing rail transit systems that are providing daily service. We must continue to support R&D directed toward methods of efficiently maintaining the great capital investment in the existing systems. New construction and extensions also benefit from this work.

R&D related to bus technology has also declined, going from $9.8 million in FY 82 to a proposed $8.0 million in FY 84, a reduction of 18 percent. Since buses represent the backbone of public transit, accounting for over 65 percent of all service, it is prudent that the R&D investment be maintained for this major transit mode.

The UMTA Bus and Paratransit Program has provided an excellent level of support to important bus-related projects. One major effort has been the development and monitoring of improved major bus components such as brakes, transmissions and air conditioning. Continued attention has also been given to Life Cycle Cost Evaluation by means of fuel economy testing.

The point I wish to make is that the support for R&D on existing, conventional systems must be continued. It is our view that a funding level of 1.5 percent should be considered a minimum. This would represent an annual outlay of $60 million for Bus and Rail Technology.

We further believe that other parallel technology projects such as New Technology and Cold Weather Research must be continued and supported at levels in addition to the 1.5 percent base funding for R&D on existing systems.

In summary we urge that:

--Bus and Rail Technology R&D on existing systems be funded at a level of 1.5 percent of the overall UMTA budget;

--Support for non-conventional transit system R&D be funded at levels over and above the 1.5 percent level.

SUMMARY

In summary, Mr. Chairman, public transportation remains an essential service in most communities across the country and is growing in importance in many more. Major rehabilitation of outwarn facilities, vital improvements in existing service and major new systems are extensive and broadly recognized needs. To make meaningful progress in restoring transit's capital plant and providing new services will require the full commitment of authorized capital funds.

Similarly, the full commitment of authorized operating assistance funds is even more vital. Any further reductions

in federal operating support below authorized levels will put a tremendous chill on the capital program and will likely promote an imminent, wholesale decline in both the quality and level of transit service in communities across the country.

As we have attempted to point out, the basic rationales and justifications being used in support of the proposed FY 84 budget reductions are largely unsupported:

--new gas tax revenues simply replace massive cuts in general funds;

--local discretion and control in providing transit service will be diminished rather than enhanced by the reduction in operating funds; drastic service reductions and shutdowns will become the only viable option;

--the opposition to federal support for transit operations is contrary to rather than consistent with the Administration's position on funding for a host of other programs which directly subsidize operating and labor costs;

--industry stewardship of federal aid, particularly in the area of labor costs and wage rates, has been highly positive and does not, in any way, constitute a rationale for wholesale withdrawal of federal support; and,

--the perception that state and local governments can readily fill the gaps created by the withdrawal of federal support is incorrect and naive.

We urge the Subcommittee to fulfill the promise and principles contained in the STAA by providing FY 84 appropriations at the fully authorized levels.

Thank you, Mr. Chairman. I and my colleagues will be pleased to respond to any questions you may have.

ATTACHMENTS

Preliminary Summary of Impacts
on APTA Member Transit Systems
of the Administration's Proposed
FY 84 Budget Cuts

Background

On March 4, 1983 APTA sent a survey to medium and large transit systems on the impacts of the Administration's proposed FY 84 budget cuts in both operating and capital assistance. The proposed cuts include a 10 percent reduction in capital funds, a 68 percent reduction in operating funds, and a 28 percent cut in Section 18 funds from levels contained in the Surface Transportation Assistance Act of 1982.

To date 65 responses have been received and are continuing to come in.

Preliminary Survey Results

If the FY 84 reductions in operating assistance are approved:

a. 11 percent said they would definitely shut down;
17 percent see shutdown as likely or possible;

b. 80 percent project fare increases ranging from
10 percent to 375 percent;

c. 84 percent responded that increased state and local assistance is not likely or possible;

d. 69 percent project significant layoffs;

e. 74 percent of systems foresee negative impacts on transit dependent persons in their communities; 60 percent also expect negative impacts in terms of jobs and their local economies; 15 percent of the systems mentioned negative impacts in the areas of both traffic congestion and air quality.

If the 10 percent cut in capital assistance is approved, 52 percent of systems expect to drop or defer capital projects.

These results closely correspond to and reinforce the findings of a similar survey of small transit systems, a summary of which is attached.

THE IMPACT OF PROPOSED FY '84 BUDGET CUTS: Selected Comments from Urban Areas with Populations of 1,000,000 and Over.

The following comments were excerpted from a survey of APTA member properties conducted in March, 1983 on the proposed FY '84 budget cuts in mass transit.

Baltimore, Maryland

"To reduce MTA's revenues by $7.7 million will require the elimination of approximately 2,000,000 annual vehicle miles... (This) will result in the loss of roughly nine million annual passengers."

"However, the MTA's flexibility is extremely limited because substantial mileage reductions have already been made. Most of the marginal service has already been eliminated, and further reductions will severely cut into our most productive routes."

Fort Worth, Texas

"Fares would probably increase to at least one dollar and fifty people would lose their jobs...The Fort Worth economy would also suffer. In addition to the unemployment, merchants would lose $650,000 in annual retail sales."

Kansas City, Missouri

"Another fare increase and service cut in 1984 will further erode the credibility and community confidence in public transit. It will take far more than one year to recover."

Long Beach, California

"In FY '86, when the Fare Subsidy Program becomes discretionary and funds are more scarce, operators will need to drastically increase fares and cut back service."

In FY '86, trade-offs between the funding of fixed route service and cutbacks to Dial-A-Lift will have to be made."

Milwaukee, Wisconsin

"The most likely solution would...be a combination which would result in higher fares, lower service, increased county tax dollars and layoffs of perhaps 200 employees."

East Meadow, NY (Nassau County)

"Reduction of 68% of the present (1983) level of federal operating assistance will result in a loss of $1.15 million annually. Assuming all other subsidy levels remain stable, this short-fall would be accommodated by an increase in fares in the range of 20%-35%."

Newark, New Jersey (Statewide)
"Elimination of off-peak service would reduce transit availability to elderly and handicapped people. Increased fares would be severely felt by elderly, handicapped and low-moderate income commuters."

New York, New York
"...our system will face operating deficits in the range of $80 million...We would anticipate financing these deficits through a variety of budget-shrinking measures, such as reduced employment levels. These measures, however, would not preclude the need for an increase in fares. Such a move could cost the New York City Transit Authority approximately 6-10 million riders."

"To the extent that we are forced to shrink the service we provide, the economic impact to the region would be tremendous and would fall most heavily upon persons with lower income. Similarly, a fare increase in this period of high unemployment would impose severe hardship on our ridership generally and particularly upon the most transit-dependent citizens."

St. Louis, Missouri
"...the proposal to completely eliminate operating assistance in FY '85 will have significant impact...We project that the miles of service operated would have to be reduced significantly. It is probable that service would be severely reduced, or eliminated, in certain geographical areas, in the evening, and on weekends."

"This would impact both access to employment and general trip-making by the transit dependent. Elimination of evening or weekend service would drastically reduce the mobility of the transit dependent. We would expect a significant negative reaction from the community."

San Diego, California
"All sectors of the community will be negatively impacted due to service cuts and fare increases. People now employed, who have no alternative transportation, may lose their jobs."

San Francisco, California
"The District raised more fares 11 to 15% in July 1982. With a 15% fare increase coming only a year later, fares will be increasing at a faster rate than most other consumer prices and most incomes. The increase will be a hardship on people for whom transit costs represent a significant proportion of income."

Washington, D.C.
"Reducing service and/or increasing fares to absorb the $13.6 million reduction would result in a substantial loss of ridership, resulting in increased automobile use, increased traffic congestion, increased pollution and other problems. In addition, many existing low-income and transit dependent patrons will be adversely affected, since their service may have to be eliminated."

Gary, Indiana
'QUESTION OF SURVIVAL...Fares have been increased and service reduced to meet continued pressures of inflation and reductions in external funding. Additional fare increases would be counter-productive, and additional service reductions would cut into the heavy riding periods."

Chicago, Illinois (CTA)
"Following is a summary of what this would mean for CTA:

1) A service reduction of about 6%;
2) The elimination of about 420 operating jobs and 270 maintenance and support jobs; and,
3) The elimination of about 200 vehicles and 9,000,000 annual vehicle miles."

"Under either the fare increase or service cut alternative, the transit-dependent (the elderly, the poor, etc.) would be especially hard hit...Such cuts further erode the viability of our urban centers through reduced access to jobs, increased pressure for decentralization, added expenses for highway construction, etc."

San Francisco, California
"(Our) first action would likely be a staff reduction. (Our) second action would likely be reduction of off-peak vehicle miles of service. The latter action would reduce ridership."

"Reduction of off-peak service would adversely impact service to the transit-dependent. This is not desirable, but the impacts on employment and the local economy of reductions in already overcrowded peak-period services would be more severe."

Atlanta, Georgia
"A 68% cut in operating assistance would jeopardize our plans to reduce headways on the East/West rapid rail line from 10 minutes to 6 minutes, which is scheduled to be implemented on July 1. Also, the Authority would be hard pressed to implement (an) additional 400,000 miles of bus service on certain routes which are currently badly needed."

Chicago, Illinois (RTA)
"...the RTA would probably have to reduce services, since a 10¢/10% fare increase is already planned for July 1, 1983. This would result in 6 million fewer CTA vehicle miles, 125 fewer weekly commuter railroad trains, and 900,000 fewer vehicle miles on the suburban bus system. It would be expected that jobs would be eliminated in the following numbers: 500 at CTA, 125 at commuter railroads, and 20 at suburban bus."

APTA SURVEY RESPONDENTS - 1983

Over 1 million population

Metropolitan Atlanta Rapid Transit Authority
Atlanta, GA

Mass Transit Administration
Baltimore, MD

Chicago Transit Authority
Chicago, IL

Regional Transportation Authority
Chicago, IL

City Transit Service of Ft. Worth
Ft. Worth, TX

Metropolitan Transit Authority of Harris County
Houston, TX

Kansas City Area Transportation Authority
Kansas City, MO

Long Beach Transit
Long Beach, CA

Milwaukee County Transit System
Milwaukee, WI

Metro Suburban Bus
East Meadow, NY

New Jersey Transit
Newark, NJ

Metropolitan Transportation Authority
New York, NY

Bi-State Development Agency
St. Louis, MO

San Diego Transit Corporation
San Diego, CA

Golden Gate Bridge, Highway & Transportation District
San Francisco, CA 94129

San Francisco Bay Area Rapid Transit District
San Francisco, CA

San Francisco Municipal Railway
San Francisco, CA

Santa Clara County Transportation Agency
San Jose, CA

Washington Metropolitan Area Transit Authority
Washington, DC

APTA SURVEY RESPONDENTS - 1983

500,000 to 1 million population

Birmingham-Jefferson County Transit Authority
Birmingham, AL

Southwest Ohio Regional Transit Authority
Cincinnati, OH

Gary Public Transportation Corp
Gary, IN

Public Transit Administration
El Paso, TX

Jacksonville Transportation Authority
Jacksonville, FL

Metropolitan Transit Authority
Nashville, TN

Central Oklahoma Transportation & Parking Authority
Oklahoma City, OK

San Mateo County Transit District
San Mateo, CA

APTA SURVEY RESPONDENTS - 1983

200,000 to 500,000 population

Greater Bridgeport Transit District
Bridgeport, CT

Canton Regional Transit Authority
Canton, OH

Lane County Mass Transit District
Eugene, OR

Peninsula Transportation District Commission
Hampton, VA

Knoxville Transportation Authority
Knoxville, TN

Madison Metro
Madison, WI

South Coast Area Transit
Oxnard, CA

County of Lackawanna Transit System Authority
Scranton, PA

Spokane Transit Authority
Spokane, WA

Pierce County Public Transportation Benefit Area
Tacoma, WA

Metropolitan Tulsa Transit Authority
Tulsa, OK

York Area Transportation Authority
York, PA

Ann Arbor Transportation Authority
Ypsilanti, MI

APTA SURVEY RESPONDENTS - 1983

Under 200,000 population

Ames Transit Agency
Ames, IA

UMASS Transit Service
Amherst, MA

Anchorage Department of Public Transit
Anchorage, AK

Valley Transit
Appleton, WI

Battle Creek Transit
Battle Creek, MI

Bettendorf Transit System
Bettendorf, IA

Billings Metropolitan Transit
Billings, MT

Tri-State Transit Authority
Huntington, WV

Jackson Transit System
Jackson, MI

Jefferson City Transit System
Jefferson City, MO

Capital Transit
Juneau, AK

Kent State University Campus Bus Service
Kent, OH

Transit Management Company of Laredo
Laredo, TX

Cedar Rapids Bus Department
Cedar Rapids, IA

Linn Intracity Facilitating
Transportation Service
Cedar Rapids, IA

Columbis, Transit System
Columbia, MD

Transit Authority of Northern
Kentucky
Ft. Wright, KY

Regional Transit System
Gainesville, FL

High Point Transit System
High Point, NC

Snohomish County Public
Transportation Benefit Area
Lynnwood, WA

Monterey-Salinas Transit
Monterey, CA

North San Diego County Transit
Oceanside, CA

Pueblo Transportation Company
Pueblo, CO

Rock Island County Metropolitan
Mass Transit District
Rock Island, IL

Salem Area Mass Transit District
Salem, OR

Preliminary Summary of Impacts on Small Transit Properties of the Administration's Proposed Reduction in Operating Assistance

Background

On February 25, 1983, Mr. Bill Blue, APTA Vice President for Small Operations polled APTA small transit members on the impact of the Administration's proposed massive reductions in operating assistance for 1984 and total elimination by 1985.

The request was made of systems operating 100 buses or less. To date, 63 responses have been received out of a nation wide survey of 212 systems. Responses are continuing to come in and will be included in APTA's final assessment of budget impacts.

Preliminary Survey Results

1. Already in '82 and '83 adjustments to reduced federal assistance, poor economic conditions and state and local fiscal problems have prompted severe changes in small systems.

   Without consideration of the proposed '84 and '85 budget proposals ...

   a. 50% of small systems reporting have already raised fares from 16% to 100%

   b. 21% have already cut service 5% to 20%

   c. 10% have experienced ridership losses ranging from 15% to 20%

2. If the FY 84 reductions in operating assistance are approved ...

   a. 56% foresee shutting down

      ... 41% see a shutdown as 'likely/probable'

      ... 14% see a shutdown as 'possible'

   b. 33% project additional major fare increases ranging from 20% to 100%;

   c. 56% project additional major service cuts ranging from 12% to 66%;

d. 35% point to an absolute need for immediate increases in state and local assistance, BUT 33% say this is not likely or possible;

e. 24% project significant layoffs.

IF ANYTHING, THESE RESULTS SHOW MUCH MORE SEVERE IMPACTS THAN SIMILAR SURVEY RESPONSES LAST YEAR.

Attached are selected quotes exerpted from individual system responses as well as the entire set of responses received to date.

THE IMPACT OF THE REDUCTION AND ELIMINATION OF SECTION 5 AND SECTION 18 OPERATING ASSISTANCE IN 1984 AND 1985: Selected Comments from Medium and Smaller Communities

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The following comments were exerpted from letters received by APTA in response to a survey of small transit properties conducted in March, 1983.

Jackson, Mississippi
"To loose any or all of UMTA's Operating Assistance would result in: 1) higher fares; 2) reduced service; 3) reduction in personnel; and 4) possible shut down."

Jefferson City, Missouri
"I'm not sure that our City budget could withstand the loss of approximately $200,000 to help run the transit system. There is a great need for this service and it will be impossible for the system to stand on its own at the present time."

Iowa City, Iowa
"To recoup this 11%, Iowa City Transit would need to increase revenue; cut service; or a combination of increased revenue and service cuts."

Hartford, Connecticut
"The elderly and handicapped and the local municipalities served cannot make up any significant amount of reduction of those federal funds. If a 74% or worse reduction were to occur, a reduction of service essentially on a dollar per dollar of funds lost would ensue."

Montgomery, Alabama
"The estimated federal FY 84 appropriation of $182,000 will enable Montgomery Area Transit System (MATS) to operate "as is" through FY 84. FY 85 is another story. The estimate now is that MATS would need to reduce its total budget a minimum of 15% in FY 85 and 30% (or more) in FY 86."

Little Rock, Arkansas
"Reduction in Federal Operating Assistance could mean elimination of Public Transportation in Little Rock/ North Little Rock."

Utica, New York
"The FY 84 cuts would be catastrophic to our operations. This would mean a 20% cut in our total budget and there is no possible way that we could absorb this loss and still offer the Utica area residents decent service."

Topeka, Kansas
"The impact of the proposed reduction in operating assistance for FY 84 would reduce Topeka's transit budget by approximately 24% or $430,000."

"If the above would take place obviously massive service reductions and a heavy fare increase would follow. Loss of

routes and higher prices will signal a decline of at least 1/3 of the current ridership. A long term loss of 50% in passenger revenue would be projected. The chain reaction being set up is the beginning of the end of bus service in Topeka, Kansas."

Oklahoma City, Oklahoma
"If the funding is at the $494,000 level, approximately 31% of our service must be curtailed. This amounts to over 61,000 hours of bus service and will effectively reduce ridership by over 1.1 million passenger trips. It would also cause a loss of over 50 direct transit related jobs."

"As a provider of transit in Oklahoma City, I am convinced the demise of our system is inevitable if these proposed cuts become fact."

Chapel Hill, North Carolina
"If the Administration's current proposal is accepted, it would eventually lead to the elimination of public transportation in all but the very largest cities in this country."

Oxnard, California
"Should there be any reductions in federal assistance we would be virtually put out of business."

"We really don't know where else to go for subsidy and potentially could close our doors except for a very minimal inter-city service with extremely limited hours and days of operations in the event of a federal cutback or elimination of subsidy."

Riverside, California
"The Administration's proposed FY 84 budget would reduce this amount to $422,000 of 7% of the FY 84 RTA operating budget. This reduction of over $1 million or 16% of the entire operating budget will obviously cause a significant impact on the RTA's ability to provide its current level of service."

Torrance, California
"Such a cut would place a greater demand on our local transit tax dollars and ultimately on the passenger through higher fares."

Hampton, Virginia
"Service cuts and fare increases of the magnitude required could lead us into the vicious cycle experienced by the private carriers in the 1960's; only this time, there will not be anyone to assure that transit continues its contributions to the country's infrastructure and economy."

Eugene, Oregon
"If our federal assistance is reduced by 74% in FY '84 as proposed by the Administration, we will have no alternative but to cut service and cut deeply."

Charleston, West Virginia
"Kanawha Valley Regional Transportation Authority (KVRTA) would have to reduce service by twenty-five percent and implement a fifty-percent fare increase. Total elimination of federal subsidy in fiscal year 1985 would result in additional service reductions."

"These actions are likely to destroy further (if not completely) that portion of KVRTA service operations that remains."

Huntington, West Virginia
"By 1986, Tri-State Transit Authority (TTA) is out of business."

Oshkosh, Wisconsin
"The system would be forced to raise fares at least 20¢ which would cost each rider an additional $100 per year. In addition, there would be a 20% cut in the number of

routes. The third step would be total elimination of Saturday service, reduced maintenance on the vehicles, no street supervision and generally a lower quality of service. Where the system will finally land is anybody's guess."

Painesville, Ohio
"LAKETRAN would cease to exist."

Youngstown, Ohio
"The Authority has in its financial planning process determined that both the cut in 1984 and the elimination of Federal Operating Assistance in 1985 will result in WRTA terminating services effective December 31, 1984."

Saginaw, Michigan
"I do not see any way that public transit could continue to exist in Saginaw should this plan continue to elimination."

Mount Pleasant, Michigan
"Were the Administration's latest budget proposals for transit to be adopted, Michigan would suffer a "double jeopardy" blow to our efforts to bring about economic recovery. Many transit properties would be forced to shut down completely."

"For Isabella County alone, the Administration's proposals when coupled with the collapse of Michigan's Transportation Survival Package would result in a 2/3 reduction in transit service and the loss of 20-25 full time jobs."

Grand Rapids, Michigan
"The net impact would thus be to reduce operating revenue by 20 percent, the 74% cut in federal assistance when combined with the loss of state dollars and farebox revenue, would result in an overall service reduction of 50-60 percent. This would reduce peak hour buses to 30-35 and in turn directly eliminate 65-70 jobs."

"In fiscal year 1985, the absolute elimination of operating assistance would, in all probability, mean the end of public transit in Grand Rapids."

Muskegon, Michigan
"If either of these proposals are approved (cuts in '84 and elimination in '85) they will mean the elimination of public transportation in the Muskegon County area."

Kalamazoo, Michigan
"The impact of a 74% reduction in federal operating assistance in 1984 would be disastrous and require us to consider elimination of the following services:

Saturday services on all routes; Evening Services; Weekday Off Peak Service Reductions between the hours of 9:00 a.m. and 3:00 p.m.; and Z-Tran -- elimination of our entire demand/response service program to the elderly and handicapped."

Flint, Michigan
"Public transportation in the Flint urbanized area would be severely curtailed effective October 1, 1983 and totally eliminated one year later on October 1, 1984."

Rock Island, Illinois
"Local fares are at 50¢, the maximum this market can bear... Property taxes are being levied at their maximum levels. Since increased local revenue is not likely, the only alternative is reduced service. The first step would be the elimination of Saturday service altogether. The next step would be a reduction of weekday service during mid-day."

"Ten bus drivers would also be eliminated by this reduction (20% of our staff)."

Bloomington, Illinois

"Such a cut back in funding would be catastrophic for the B-NPTS. The most optimistic implications of such a funding cut back would entail at least a 30% reduction in service levels (ie., approximately 17,000 service hours) and an indefinite layoff of about 15 Transit System employees."

Beaver, Pennsylvania

"It is likely that all intra-county services currently in place will have to be terminated before the end of fiscal year 1983-84."

"It is also highly likely that a fare increase of up to 20% will be necessary to sustain us."

Lancaster, Pennsylvania

"On the proposed elimination of operating assistance, the following results are expected by FY 85 and FY 86:

1. A near doubling of local government contributions to sustain a greatly reduced system;

2. An increase in the average fare from the current 72¢ to nearly $1.00;

3. A total 40% reduction in service;

4. The complete elimination of 4 of RRTA's current 15 routes; and

5. Reductions in service on all remaining routes."

Harrisburg, Pennsylvania

"Our next step would have to be to drastically increase fares which, as you well know, cuts ridership or drastically cut service which also cuts ridership."

"At this point in time I feel that with no federal operating assistance it would be impossible to operate a viable transit system in the Susquehanna Valley."

Allentown, Pennsylvania

"The combined effects of the phase-out on our operation is as follows:

1. Service would be reduced by approximately 30%;

2. The fare would increase by 25¢; and

3. The local contributors would be required to <u>double</u> their present grants.

Scranton, Pennsylvania

"If we are not funded for operating assistance at the original HR 6211 levels, not only in FY 1984, but in continuing years after that, mass transit in Lackawanna County will be reduced to no more than 20 or 30% of our current service, at which point the adjective "mass" would be a joke."

Cresson, Pennsylvania

"We estimate that our base transit fare will increase 100% by 1985 if the proposed cuts are implemented."

"Federal assistance losses cannot be offset by any combination of fare and service adjustments."

Erie, Pennsylvania

"Frankly, if we do not recieve at least the same amount of operating assistance next year as this year, raising fares and cutting miles would not last long, and we would be out of business in a short time."

Kingston, Pennsylvania
"What will the case be when the whole system is cut, slashed, and revamped?"

"The small transit authority cannot and will not survive as we know it today."

"Fare increases and the service reductions will just about ruin this operation in 1984. The elimination of federal funding in 1985 will close this facility as neither the state nor the county can pick up the slack."

Altoona, Pennsylvania
"The fact is that we must continue to receive federal money if transit is to continue in Altoona."

"If the federal program ceases, so will transit in Altoona."

Lebanon, Pennsylvania
"Elimination of Section 18 operating grants will immediately eliminate all rural routes and reduce the urban service in and near the City of Lebanon producing a severe loss in ridership to the extent that all service will probably cease."

Hazleton Transit Authority
"It is imperative that all funding previously committed be left in tact; otherwise, there is simply no way we can survive."

"If these subsidies are not restored, the Greater Hazleton Area will absolutely lose this vital service."

State College, Pennsylvania
"The culmination of four years of anti-transit policies by the Reagan Administration would be the complete transformation of CATA from a once-thriving, efficient regional transportation system to a struggling system serving only limited areas at fares beyond the means of many of those who need the service the most."

"Without federal operating assistance, the ability of CATA to promote and facilitate a healthy, University-oriented regional economy will be severely, if not fatally, hampered."

Gretna, Louisiana
"Reducing the $2.1 million to $546,000 will necessarily cause discontinuance of all service in Jefferson Parish. There is no way these dollars can be procured locally."

Lafayette, Indiana
"Let the consumer beware - farebox "enhancements" and service reductions seem to be the order of the day ... again!"

"That reduction to our FY 84 budget will have to be handled through a fare increase, or more probably a service reduction - certainly what we need after a 16.5% loss of ridership in 1982 brought about, at least in part, by a 43% fare increase just over a year ago."

Fort Wayne, Indiana
"This would mean that the Fort Wayne Public Transportation Corporation would have to eliminate approximately 50% of its service and layoff 50 of its 131 employees."

Gary, Indiana
"If the federal operating assistance is drastically reduced for 1984 and eliminated in 1985 and thereafter, we would, as stated in our consultants' report, "be well advised to consider if the service should be continued at all."

Clearwater, Florida
"Without operating assistance, they may as well eliminate the capital program because we cannot operate new buses even if they were given to us."

"Federal revenue shortfalls can only mean service reductions of a magnitude that will ultimately destroy our bus system."

"Quite simply, without Federal operating assistance at a level no less that the current authorized level, public transit in Pinellas County, Florida cannot survive for very long."

Live Oak, Florida
"Can the Suwannee Valley Transit Authority survive a massive reduction/elimination of Federal operating assistance? The answer is emphatically "NO"."

Des Moines, Iowa
"If this Administration's budget is approved, it will bring transit's progressive efforts to a grinding halt. Public transit in this area will become a museum artifact in the state's Historical Museum."

Sioux Falls, South Dakota
"To deprive this segment of the population of its mobility through increased fares, reduced service and in many cases total elimination of public transit services, (which in all likelihood would be the case in Sioux Falls), would only serve to legitimize the already prevalent feeling that the Federal Government, or more specifically the present Administration is still attempting to balance the budget at the expense of those who can least afford it."

Bryan, Texas
"As a group we are just now beginning to establish the political, community, and financial base to assure future success. To reduce the operating assistance as suggested would defeat such gains. In effect, public transportation in the rural areas would be eliminated."

San Antonio, Texas
"To reduce or eliminate federal operating assistance at this stage in the industry development would in effect eliminate the small urban/rural transit industry in the Southwest."

SMALL OPERATOR SURVEY RESPONDENTS - 1983

Altoona Metro Transit
Altoona, PA

Montgomery Area Transit Syster
Montgomery, AL

Central Arkansas Transit
Little Rock, AR

Riverside Transit Agency
Riverside, CA

City of Torrance
Torrance, CA

South Coast Area Transit
Oxnard, CA

Greater Hartford Transit District
Hartford, CT

Suwannee Valley Transit Authority
Live Oak, FL

Pinellas Suncoast Transit Authority
Clearwater, FL

Des Moines Metropolitan Transit Authority
Des Moines, LA

Iowa City Transit
Iowa City, IA

Topeka Metropolitan Transit Authority
Topeka, KS

Westside Transit Lines
Gretna, LA

Shreveport Transit System
Shreveport, LA

Lowell Regional Transit Authority
Lowell, MA

Cape Cod Regional Transit Authority
Barnstable, MA

Brockton Area Transit Authority
Brockton, MA

Mass Transportation Authority
Flint, MI

Palm Beach County Transportation Authority (COTRAN)
West Palm Beach, FL

Rock Island County Metropolitan Mass Transit District
Rock Island, IL

Bloomington-Norma/PT Sys.
Bloomington, IL

Greater Lafayette Public Transportation Corporation
Lafayette, IN

Fort Wayne Public Transportation Corporation
Fort Wayne, IN

Gary Public Transportation Corporation
Gary, IN

Jackson Transit
Jackson, MS

Jefferson City Transit System
Jefferson City, MO

Utica Transit Authority
Utica, NY

Chapel Hill Transit
Chapel Hill, NC

Maple Heights Transit
Maple Heights, OH

LAKETRAN
Painesville, OH

Western Reserve Transit Authority
Youngstown, OH

Central Oklahoma Transportation & Parking Authority
Oklahoma City, OH

Lane County Mass Transit District
Eugene, OR

County of Lebanon Transit Authority
Lebanon, PA

Dufast Transit
Dubois, PA

WCTA
Greensburg, PA

Beaver County Transit Authority
Beaver, PA

Centre Area Transportation Authority
State College, PA

Red Rose Transit Authority
Lancaster, PA

Capitol Area Transit
Harrisburg, PA

Ann Arbor Transportation Authority
Ypsilanti, MI

Kalamazoo-Metro Transit System
Kalamazoo, MI

Saginaw Transit System
Saginaw, MI

Grand Rapids Area Transit Authority
Grand Rapids, MI

Muskegon Area Transit System
North Muskegon, MI

Capital Area Transportation Authority
Lansing, MI

Isabella County Transportation Commission
Mount Pleasant, MI

Hazeleton Transit
Hazeleton, PA

Lehigh & Transportation Transportation Authority
Allentown, PA

County of Lackawanna Transit System Authority
Scranton, PA

Cambria County Transit Authority
Johnstown, PA

Erie Metropolitan Transit Authority
Erie, PA

Luzerne County Transportation Authority
Kingston, PA

Sioux Falls Transit
Sioux Falls, SD

Oshkosh Transit System
Oshkosh, WI

Valley Transit
Appleton, WI

Brazos Transit Suystem
Bryan, TX

Waco Transit System
Waco, TX

Austin Transit System
Austin, TX

Peninsula Transportation District Commission
Hampton, VA

C-Tran
Vancouver, WA

Kanawha Valley Regional Transportation Authority
Charleston, WV

Tri-State Transit Authority
Huntington, WV

STATEMENT OF VICKIE V. SCHAEFFER, GENERAL MANAGER

Senator ANDREWS. Let me assure your colleagues their statements will appear in full in the record. I am glad you brought the gentleman from Sioux Falls along.

Senator Byrd.

Senator BYRD. Mr. Chairman, as a former chairman of this subcommittee, I want to compliment you for the tremendous job that you do as the chairman of this subcommittee and also thank you on the part of the Senators on my side of the aisle for the work, the dedication, and skill you demonstrate as chairman of this subcommittee.

You are a far better chairman than I was. All this talk about your taking my advice is fine, but——

Senator ANDREWS. It works pretty well.

Senator BYRD [continuing]. But I am in no position to advise the chairman of the subcommittee. He is my friend and I am his.

I am delighted to see a constituent, Vickie Schaeffer. She is the general manager of Tri-State Transit Authority in Huntington, W. Va. I would like to ask her a question or two.

What would be the immediate impact on West Virginia should the funding levels for operating subsidies be reduced?

Ms. SCHAEFFER. We have 13 traffic systems in West Virginia that range from small to very small. They are there because of the Federal partnership as it specifically relates to operating assistance.

If the operating assistance is terminated, we will see a lot of empty business sitting in West Virginia going nowhere, taking no one where they need to go.

It doesn't make any sense. You can't ride in a race if you don't have a horse. None of us can rely on the State or local government.

You are more aware than I am of the fiscal problems we have in the State. It gets down to the fact we got into the business because of the Federal Government and if the Federal Government gets out of the business of operating assistance, the people who rely on us for transportation won't have it.

Primarily in small systems all over the country, and it is also true in West Virginia, the people who ride our bus systems are very dependent on the buses. They don't have any other way to go. They are working poor, low-income workers, handicapped, senior citizens, the whole litany we go through.

They are very real people. They don't have mass transit without us. They don't have transportation. That hurts us in terms of our quality of life and it hurts us in terms of our economy. We can't do it without the Federal operating assistance. It can't be done.

Senator BYRD. Mr. Chairman, I had three questions. Ms. Schaeffer has already answered all three of them.

Senator ANDREWS. You see how successful the folks are. They not only elect you as our distinguished colleague, but they answer one question with the answers for three.

Senator BYRD. I think she has done well. I compliment her.

I thank you, Mr. Chairman.

We appreciate your being here.

Senator ANDREWS. Ms. Minette Trosch, chairwoman of National League of Cities.

Let me assure you your testimony will appear in full in the record. We are glad to have you here. Our apologies for keeping you waiting.

NATIONAL LEAGUE OF CITIES

STATEMENT OF MINETTE TROSCH, CHAIRWOMAN

Ms. TROSCH. Thank you, Mr. Chairman.

I am Minette Trosch, councilmember from Charlotte, N.C., and chairman of the National League of Cities transportation community.

I am here to testify today on behalf of NLC and the 15,000 cities we represent on the issue of funding for mass transit programs in fiscal year 1984.

First, I would like to thank you for the recent support you gave to transportation in the Budget Committee.

We and NLC have four main concerns about the administration's proposed budget for mass transit programs for the coming fiscal year. The total transit funding levels show a dramatic reduction in operating assistance, there is confusion about new fixed rail starts and many questions remain about section 3, and discretionary capital assistance.

Because of your plea, Mr. Chairman, about time limitations, I will address the first two of those and let you refer to the rest of my remarks in the written statement.

At issue here is our concern that the administration's proposed budget controverts the basic intent of the legislation in the recent passed transportation act.

NLC supported the legislation in good faith because of the inclusion of elements of its compromise that we now find being pulled back in the proposed budget.

Our first concern is the reduction in total transit fundings. Despite the fact that there will be approximately $1.1 billion in new transit revenues generated from the gas tax, the administration has proposed a transit program to be funded at $775 million below authorized levels.

In effect, the administration is proposing to substitute these new revenues despite repeated promises that the moneys generated from this gas tax will supplement, not supplant, existing revenues.

NLC urges Congress to restore the full amount of the gas tax and general revenue funding agreed to in December and signed by the President in January. The largest portion of these cuts in the overall transit funding is in operating assistance.

This is a real concern to us as to the cities of this Nation. The Surface Transportation Assistance Act authorizes over $800 million in operating assistance for fiscal year 1984. However, the administration is requesting only $275 million.

This reduction is a matter of critical concern to the NLC since operating assistance is vitally important to our transmit system and inclusion in the act was essential to the compromise which we in cities actively supported.

The amount authorized for operating assistance was not a growing share, but provided a stable base at 1982 levels for us to locally plan our budget for operating needs.

The proposed budget reductions from authorized levels will have dramatic impact on the operation of our system. It is over a two-thirds reduction from what we anticipated was the intent of the legislation.

Let me turn to my own city and show you down home what that would mean.

In Charlotte, N.C., under the proposed budget we would receive $444,000 in fiscal year 1984 rather than the authorized level of $1.6 million. That will have a severe impact on our system, particularly since in the last 2 years prior to this we had already absorbed between $1 to $2 million in Federal cuts in operating assistance.

We will have to make up this deficit by reduction of service and/or fare increases. Both of these have already been done to make up those cuts we just went through in the prior years.

Ultimately this can be counterproductive if done too rapidly and if done without the proper planning. Those that pay the price for this alternative are the elderly, unemployed, handicapped, and poor, in that they become more dependent.

The healthy economic development of our center cities will also be affected as we are inhibited from providing the kind of balanced transportation system that deals with our congestion and pollution problems. I might add we believe deals as a balanced transportation system in the most cost-effective manner.

In defending tax dollars to provide mass transportation, we urge the Congress to fund operating assistance at the level authorized in the act.

The other two items of concern you will find in my statement.

Senator ANDREWS. Thank you very much. We appreciate having you here.

[The statement of Ms. Trosch follows:]

STATEMENT OF MINETTE TROSCH

Summary of NLC Statement on Transit Funding

Operating Assistance

NLC believes that, despite the Administration's desire to negate the effect of the compromise agreed to to enact the Surface Transportation Assistance Act of 1982, Congress should mandate the Administration to implement the agreement arrived at in good faith.

- NLC supported the STAA because it was a compromise negotiated in good faith designed to meet the cities' transit needs and priorities;
- The emphasis by the Administration on capital assistance forces cities to spend in the least cost-effective manner. We are encouraged not to maintain current equipment but to join the "throw-away society" and buy new.
- Operating assistance is essential to all cities because:
  -- in small and medium-sized cities, it is a significant part of the operating budget for transit systems;
  -- the alternatives -- fare increases and/or reductions in services (1) increase congestion and pollution, (2) have a negative impact on the economic well-being of central business districts, (3) hamper the mobility and increase the dependence of the elderly, handicapped and the unemployed, and (4) leave many cities with no revenue options to fund transit services.

Total Transit Funding Levels

NLC urges Congress to restore the full amount of the gas tax and general revenue funding agreed to in December by the Congress and in January by the President.

The Administration is proposing to substitute highway user fee revenues for general revenues despite promises that substitution would never occur. We believe this proposal is a subversion of the authorizing legislation.

New Fixed Railed Starts

NLC thinks it is necessary for Congress to reiterate Congressional support for new starts and outline broad policy objectives for the Administration's guidance.

There is considerable confusion surrounding the Administration's position on new fixed rail starts. Despite the clear intent of the legislation to fund new start activities, UMTA and OMB have been giving mixed signals about the availability of funds for new starts.

The utility of fixed starts is not debatable. Many cities cannot accomodate the increases in traffic experienced in the last few years with their existing transit systems.

NLC believe new starts should be an option which any city should be free to explore, and, if cost-effective, to develop.

Capital Assistance

While not seeking additional funds for the discretionary program, NLC believe Congress will have to tell the Administration more precisely, what it intended and how to go about implementing Congressional intent.

Here too, we are totally confused over whether the Administration has a policy and, if so, what it is.

UMTA is advising cities not to apply for FY 83 Section 3 funds, since all of the available funds have been committed. To whom and for what is unclear.

UMTA is telling cities that the FY 84 discretionary funds will only be used to fund "extraordinary capital assistance needs." What exactly are "extraordinary" needs?

Mr. Chairman and members of the Subcommittee, I am Minette Trosch, Councilmember from Charlotte, North Carolina, and Chairman of the National League of Cities' Transportation and Communications Committee. I am here today to testify on behalf of the National League of Cities and the 15,000 cities we represent on funding for mass transit programs in fiscal year 1984.

It can come as no surprise that we were totally dismayed at the President's proposed budget request for mass transit programs for the coming fiscal year. And it goes without saying that we were delighted to see similar reactions to the Administration's budget proposals from this Subcommittee as well as other members of Congress.

As you know, NLC supported the Surface Transportation Assistance Act of 1982 only after securing assurances from the Administration that the increased revenues generated by the

five cent gas tax would supplement, not supplant, existing transit revenues. What we believed we negotiated in good faith and ultimately supported was legislation designed to meet our transit needs and priorities, based on a tax increase that would not substitute new revenues for existing revenues.

Our major concern is the Administration's proposal to eliminate operating assistance despite the compromise to reduce federal financial involvement gradually over a period of time. Increasingly, we are also concerned with the apparent confusion at the Department of Transportation about policy objectives on available funding for capital assistance and its on-again/off-again policy on new fixed rail starts.

Operating Assistance

The Surface Transportation Assistance Act authorizes over $800 million in operating assistance in FY '84. The Administration is requesting only $275 million. We know the Administration has never supported operating assistance. However, former DoT Secretary Drew Lewis agreed to the compromise language in the STAA and the President signed the bill into law. Both actively solicited the support of the cities in securing congressional passage of the measure. NLC supported the compromise because it provides stability to the program and permits sufficient time in which program operators can adjust to reductions in federal support.

We believe the Administration's objection to operating assistance is grounded in part on its perception that the funds mostly provide high wages to transit workers in major metropolitan areas. However, current federal operating assistance, for example, is less than 9 percent of the operating budget for the New York City transit system; that means 91 percent of the operating costs are funded from local revenues. Clearly, it is in our own best interest to negotiate the lowest wages possible within the parameters of what federal law allows. Operating assistance is not a boondoggle for transit worker unions.

What the Administration does not seem to understand is that operating assistance is of equal, if not far greater importance to medium-sized and smaller cities than it is to larger metro-

politan governments. To cite just a few examples, in Bloomington, Ill., with a population of less than 45,000, a 68 percent cut in federal operating assistance would mean a 20 percent cut in its local operating budget. Implementation of the President's budget in smaller jurisdictions like Bloomington would necessitate significant fare increases and/or reductions in services. Salisbury, North Carolina (population 22,677) would find it impossible to maintain its mass transit service and is drawing up contingency plans to eliminate its operations. If Canton, Ohio (population 96,730) lost federal operating assistance, it would have to shut the system down permanently too.

Additional fare increases could potentially all but eliminate the availability of mass transit services in small and medium-sized cities as mass transit ceases to be competitive with auto usage. The net effect is that the elderly, the poor, and the unemployed lose their mobility and become more dependent. For those who can continue to commute, increased automobile use will result in greater traffic congestion, more pollution, and larger outlays for highway construction.

Fare increases and service reductions in mass transit systems can stymie economic recovery in the cities and actually reverse any progress toward economic revitalization. If people can't get downtown, they won't come downtown. Fort Worth, Texas, estimates an annual loss of over half a million dollars in retail sales as a result of fare increases alone.

Alternatively, reductions in services would have similar negative effect. While service levels drop, so would ridership and revenues, with the net result that while expenses were falling, operating deficits would be rising.

Furthermore, many cities -- my own included -- can raise funds for capital expenditures locally; however, we are precluded by state law from floating bonds to raise revenues to subsidize operating costs. In rural-dominated states, where few cities enjoy home rule, we cannot raise local taxes without the concurrence of the state legislature -- a concurrence rarely, if ever, granted.

The logic of providing funds to purchase capital equipment while withdrawing the funds needed to operate and maintain

the equipment escapes us. In effect, the federal government is encouraging us to be wasteful, telling us not to maintain existing equipment but to throw it out and buy new. It seems to us that given current budget constraints at both the federal and local level, this is folly indeed.

Not only would the proposed cuts force transit operators to reduce or even eliminate services drastically and quickly, but it would also force operators to abandon their four-year operating plans and to make significant budget adjustments in their FY '84 budgets.

We believe that, despite the Administration's desire to nullify last year's compromise, Congress should require the Administration to implement the agreement arrived at in good faith.

Total Funding Levels

Despite the fact that there will be approximately $1.1 billion in new transit revenues generated from the highway user charges in FY 84, the Administration has proposed that the transit program be funded at $775 million below authorized levels. In effect, the Administration is proposing to substitute highway user fee revenues for general revenues, despite very clear promises that such a substitution would never occur. NLC interprets this proposal as a subversion of the authorizing legislation.

We urge you to restore the full amount of the gas tax and general revenue funding agreed to in December by the Congress and in January by the President. We have, afterall, supported a five cent per gallon gas tax increase -- funds which are removed from our local economies -- and believe it is only fair to return at least the penny we were promised.

New Fixed Rail Starts

There is considerable confusion surrounding the Administration's position on new fixed rail starts. Despite the clear intent of the legislation to fund new start activities, UMTA has been giving eligible recipients mixed signals about the availability of funds for new starts. In a briefing on the DoT budget held in late January, UMTA Associate Administrator Carole Foryst

stated that DoT would continue its past policies in opposition to new fixed rail starts.

In recent testimony before your Committee, however, UMTA Administrator Art Teele said, "The Department intends to consider the funding of cost-effective new starts from the urban discretionary program on a case-by-case basis." He also said, "it remains this Administration's firm policy that current transit needs should first be met by rehabilitating and modernizing existing transit systems." He further elaborated by saying that before a new system is begun, "existing commitments, rail modernization, and both ordinary and extraordinary bus demands must be fully addressed." The Section 3 funds could be used in their entirety just to fund the backlog of rail rehabilitation projects, Teele noted.

To further confuse things, OMB also seems to have changed its position on new rail starts. In a reported letter to Darrell Trent, Deputy Secretary of Transportation, Annelise Anderson,then Associate Director of OMB, stated OMB's opposition to new rail starts. But on Tuesday, April 19, an OMB spokesman said that the agency had agreed that money raised by the gas tax could be spent for new fixed rail starts. OMB is apparently committed to the new starts in Houston and Los Angeles, systems it sees as cost-effective. It is unclear, however, whether either DoT or OMB is willing to approve new starts in any other cities.

The utility of new fixed starts is not debatable -- cities such as Dallas, Texas, simply cannot accommodate the increases in traffic it has experienced in the last few years with its existing transportation system. Although new fixed rail systems do not suit the needs or resources of every city, NLC believes that new starts should be an option which any city should be free to explore and, if cost-effective, to develop. We believe that new starts should continue to be eligible for capital assistance and that the Administration should clearly delineate its new start policy so that cities with feasible projects can commence project development.

We think it is necessary for you to reiterate Congressional

support for new starts and outline broad policy objectives for the Administration's guidance.

Capital Assistance

Having stressed the importance of operating assistance to many of the nation's cities, it is important to add that for a few cities, capital needs will always be greater than operating needs. Here too, we are totally confused over whether the Administration has a policy and, if so, what it is.

At the moment, the confusion centers around the Section 3 discretionary capital assistance money in FY 83 and the gas tax-funded discretionary money in FY 84. Although Congress approved $1.6 billion for transit discretionary grants this year, UMTA is advising eligible applicants not to apply for FY 83 Section 3 funds, since all of the available funds have been committed. It is unclear, however, what Section 3 funds have been committed, to whom, and for what.

UMTA is telling eligible applicants that the FY 84 discretionary funds will only be used to fund "extraordinary capital assistance needs" such as rail rehabilitation, modernization of commuter rail and fixed guideway systems, certain types of major bus purchases, and the upgrading of facilities. We do not know whether a city with significant bus needs will be able to use any of the Section 3 monies for ordinary bus purchases. Some cities simply cannot meet all of their bus needs out of their Section 9 formula grant allotments.

We are not seeking additional funds for the discretionary program. Congress should, however, tell the Administration more precisely what it intended and how to go about implementing Congressional intent.

Thank you for the opportunity to present our views. I would be pleased to answer any questions you may have.

METROPOLITAN TRANSPORTATION AUTHORITY

STATEMENT OF RICHARD RAVITCH, CHAIRMAN

Senator ANDREWS. Our next witness is Richard Ravitch, chairman, Metropolitan Transportation Authority.

Senator D'Amato has asked me to express his regrets he could not be here this morning. He is in New York today with the President.

So, welcome.

Mr. RAVITCH. Thank you, Mr. Chairman.

We appreciate the opportunity to present to this committee our views on the issues that you have before you.

I have submitted a written statement for the record.

Senator ANDREWS. It will be included in full in the record.

Mr. RAVITCH. I would like to touch on a few of the highlights of our testimony and make some observations, if I may, Mr. Chairman.

First of all, we would like to note what I think certainly you and your colleagues in the Congress understand very well, that this Congress debated very fully the underlying issues of public transportation last year and ultimately passed and the President signed the Surface Transportation Act.

We thought, I like to think, most of your colleagues, as you do, shared the fact that that was a deliberative process in which these fundamental issues were considered and therefore perhaps you were as shocked as we were to see that the President's proposed budget totally ignored those very carefully arrived at decisions of last year.

I want to point out that those of us who have responsibility to run public transportation systems properly spend a great deal of our time in dealing with the legislative process in Washington.

I think we are entitled and our riders are entitled and our State legislators are entitled to rely on a timely decisionmaking process.

Our legislature was in session in December. It acted just contemporaneously with the passage of the Surface Transportation Assistance Act.

Fares were set for a year based on certain assumptions. I think there was a kind of total consensus. Senator D'Amato's compromise in maintaining level funding for operating assistance was fully debated and the administration's views were fully expressed.

I think it is not appropriate for that to be questioned and reopened now. These people acted in reliance on the full process that the Congress engaged in.

I would like to note with particular appreciation your support, Mr. Chairman, in your capacity as a member of the Budget Committee to have the budget reflect fairly and accurately what the Congress did in December.

I would like to point out that the absence of any of my friends from the business community in New York or my friends who are in the New York delegation does not indicate in any way any lack of support of New York's mass transportation system.

In fact, the business community in New York is not only supportive, but, noting your earlier comments to a prior witness, is totally unambiguous about its support for public transit and in all of its organizational manifestations supports Federal funding of mass transit. The organized business community, that is.

They have even been supportive of tax measures in the State of New York that have supported public transit. We believe that the responsibility for the continued funding at the levels that were authorized in December is an important responsibility of the Federal Government.

I would like to make, I see my time is almost up, two particular observations.

No. 1, we feel that the commitment that has long been made to the modernization of the existing rail systems is the first priority and should be the first priority of the Federal Government.

We respectfully request that as you consider the appropriation bills before you that you seriously consider taking a significant portion of the section 3 funds and establishing the principle for this year and for the future that they will be allocated for distribution to the rail mod cities.

We appreciate the fact and respect the fact that Houston and Los Angeles are going to join the ranks of New York, recognizing the necessity of public transit. We are not advocating that they not share in Federal funds.

We do think the first priority—this was best articulated by the Director of OMB 2 years ago, though I gather they have shifted their position on this subject—the highest priority has to be to insure the viability of the existing systems.

I would also like to observe, Mr. Chairman, if I may, that New York is spending out of the resources of its fare payers and taxpayers about $5.7 in the next 5 years against a projected receipt of $2.8 billion from the Federal Government.

So that the proportion of local funds to Federal funds reflects the needs of rebuilding this system and the willingness of the people of New York and the business community and the citizens and fare payers to revitalize our system.

I respectfully suggest for your consideration a modification in the rules so that the percentage of expenditures borne by local Government be increased. I am not at this point going to propose a specific percentage, but if the Federal Government would allocate funds, instead of on a 80–20 basis, on some basis which would require higher local share. I would suggest it would have two beneficient effects.

It would serve the useful purpose of insuring the Federal dollars were, as the President has often called for and as the Congress has in other respects suggested, the Federal dollars were used as a way of creating incentive for local governments to put in dollars to meet public needs and if the local share were to be increased, it would in no way diminish New York's ability to rebuild its system, but it would certainly create what we think is a fair set of incentives to assure a more rational distribution of limited Federal funds.

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I wish there were enough Federal funds to take care of all new starts as well as rail mods, but we all recognize that is not likely to be the case in the forseeable future. Therefore, we think the system of allocating funds ought to be geared more to a higher percentage of local contribution. We think that would serve the effect that I noted.

Thank you very much for your time.

Senator ANDREWS. Thank you.

[The statement of Mr. Ravitch follows:]

STATEMENT OF RICHARD RAVITCH

Mr. Chairman, my name is Richard Ravitch and I am Chairman of the Metropolitan Transportation Authority. The Authority provides public transit within the City of New York and seven of its suburban counties, serving some 5 1/2 million daily passengers on subway, bus, and commuter railroad lines. I am pleased to have the opportunity to present MTA's views of proposed Fiscal Year 1984 appropriations for the Urban Mass Transportation Administration. Federal assistance for our capital and operating programs is an essential element of the MTA's financial plans, and I urge that the Committee fulfill last year's landmark transportation legislation by fully funding the transit authorizations it proposed.

Our hopes and plans for transit improvements in the New York area were raised significantly by the Surface Transportation Assistance Act, which included both the reauthorization of the ongoing Urban Mass Transportation program and the new provision dedicating one cent of the Federal gasoline tax to be used for capital investment in mass transit. Passage of this Act required hard work and significant compromises in the legislative process. I believe that the members of this Committee were, for the most part, as shocked as we were when the President's budget totally disregarded the new legislation and proposed status quo funding for the vital program.

Given the needs of our transit systems, and more importantly, the needs for each level of government to share reliance and trust in the other's actions, I hope that this Committee will be guided by these past commitments and not by the President's budget requests. I believe that our mutual interests in seeing transportation systems improved would best be served by moving ahead, not by reopening issues that we felt had been legislatively closed. While I recognize the importance of the appropriations process and the oversight it provides for Federal agencies, I hope you understand that the energy consumed by the effort to reassure

funding provisions that were anticipated is energy diverted from the productive use of these funds.

In the area of operating assistance, the reversal in the President's budget was most pronounced. All of us involved in last year's legislative debates felt that the issue had been resolved with the acceptance of Senator D'Amato's compromise involving level three-year funding at a significant reduction below last year's amounts. The legislature of the State of New York relied on this formula in arriving at the amounts of new State taxes necessary to fill the budget gaps for MTA and other transit agencies in the State. Their action followed only hours after the Congressional enactment in December and averted fare increases that would have reversed the positive ridership trends that our capital investment program is just beginning to produce. We are prepared to live within the amounts of operating assistance permitted by the new Section 9 formula, but to move towards further cuts now, in a local budget year already underway, would be extraordinarily disruptive.

While the Administration's actions on operating assistance are of significant concern, we are equally concerned over the proposed funding levels. In aggregate, the Fiscal Year 1984 funding is very close to the levels of 1983 -- with no recognition of the added $1 billion in user taxes being applied to transit needs. These funds should be applied to reducing the backlog of deferred maintenance and accelerating transit construction, not to offsetting the general fund budget.

While we in New York are using state and local funds together with Authority bond proceeds to accelerate our reconstruction pace far beyond that which traditional Federal grant levels permitted, we are still not rebuilding at a rate sufficient to both overcome past deficiencies and keep current in our system replacement. Our estimate of capital needs, prepared in 1980, identified some $14 billion of work needed to put MTA's transportation facilities into a state of good repair over a ten-year period. These estimates were put together in 1980 dollars. While we are making significant

progress in this task, the investments included in our first Five Year Plan (expressed in 1980 dollars) will provide only $5.1 billion toward this goal. Much more needs to be done.

Based on the authorizations in the Surface Transportation Act and our reasonable expectations as to the amounts New York might expect, we have prepared a revised capital program to incorporate these funds and increase our progress toward the renewal of the system. In this revised plan, the $2.8 billion in funding expected from UMTA grants will be matched by $5.7 billion in local effort, and we are ready to proceed rapidly on these projects. The program will generate more than 125,000 man years of local employment as well as stimulating purchases of capital goods at diverse locations throughout the country.

If Congress fails to fund the capital programs authorized in last year's bill, this will have a chilling effect on all of our financing efforts, raising doubts about government's credibility in calling for local efforts at renewing the nation's infrastructure. Similarly, I urge the Committee to be fair in the allocation of funds to the various activities under the UMTA Act. While we in New York applaud the efforts of cities such as Los Angeles and Houston to bring the benefits of mass transit to their citizens, fairness demands that Federal funds be broadly allocated. Our past -- and continuing -- local transit investment in place is very large and deserves consideration in the division of Federal funds for discretionary investment.

Thus, in closing, I would urge the Committee to provide for full funding of Sections 3 and 9 of the Act, and for broad allocations within Section 3 that continue the availability of discretionary funds to meeting extraordinary needs for bus and rail systems modernization. To the extent funds are available for discretionary investment, I suggest that local effort be given a greater weight -- perhaps by an increase in the local funding share -- in reaching the allocation decision.

I appreciate the Committee's taking time to consider our views and would be pleased to answer any questions you may have.

ORANGE COUNTY TRANSPORTATION SYSTEM

STATEMENT OF DANIEL E. GRISET, VICE CHAIRMAN

Senator ANDREWS. Our next witness is Daniel Griset, vice chairman of the Orange County Transportation Commission.

Your printed remarks will be incorporated in full in the record.

Mr. GRISET. We are here to express our concern about cutbacks in Federal operating assistance. The witness from NLC touched on that theme.

The second point which has not been raised relates to proposed cutbacks in the Amtrak funding in the area of 403(b).

As representatives from the southern California area and specifically Orange County, Calif., we would emphasize the importance to us of maintenance of service along the very effective and successful Los Angeles-San Diego corridor as an area that demands attention and hopefully your support in supporting operations of 403(b).

We have also noted some $3.5 million in capital improvements along that line that would assist us in getting our job done better in that respect.

We appreciate the opportunity to have our testimony put on the record and your willingness to have us here.

Senator ANDREWS. Thank you.

[The statement of Mr. Griset follows:]

STATEMENT OF DANIEL E. GRISET

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM DAN GRISET, VICE-CHAIRMAN OF THE ORANGE COUNTY TRANSPORTATION COMMISSION. OUR COMMISSION IS RESPONSIBLE FOR PROGRAMMING FEDERAL AND STATE TRANSPORTATION FUNDS IN ORANGE COUNTY, CALIFORNIA. I AM PLEASED TO HAVE THE OPPORTUNITY TO EXPRESS OUR VIEWS ON TWO ISSUES: (1) CONTINUED FEDERAL FUNDING OF MASS TRANSIT OPERATING ASSISTANCE, AND (2) THE FEDERAL ROLE IN SUPPORTING AMTRAK INTERCITY RAIL SERVICE.

I'D LIKE TO BEGIN BY DISCUSSING THE STATUS OF PUBLIC TRANSIT SERVICE IN ORANGE COUNTY AND OUTLINING OUR NEED FOR FEDERAL TRANSIT OPERATING ASSISTANCE. PUBLIC TRANSIT IN ORANGE COUNTY IS PROVIDED PRINCIPALLY BY THE ORANGE COUNTY TRANSIT DISTRICT, WHICH OPERATES A FLEET OF 497 LARGE AND 130 SMALL BUSES, PROVIDES FIXED-ROUTE AND DEMAND-RESPONSIVE SERVICES IN EVERY COMMUNITY IN THE COUNTY, AND CARRIES OVER 50 MILLION PASSENGERS PER YEAR. LOCAL, STATE AND FEDERAL INVESTMENTS, INCLUDING FEDERAL OPERATING ASSISTANCE, MAKE THIS SUCCESSFUL SERVICE POSSIBLE.

OVER THE PAST THREE YEARS, WE HAVE BEEN ACUTELY AWARE OF THE ADMINISTRATION'S INTENT TO PHASE OUT TRANSIT OPERATING ASSISTANCE. THAT IS WHY WE WERE PLEASED THAT THE RECENT ENACTMENT OF H.R. 621. PROVIDED FOR A CONTINUATION OF FEDERAL OPERATING SUBSIDIES, ALBEIT AT REDUCED LEVELS. WE WERE SURPRISED AND DISMAYED TO LEARN OF THE SUBSTANTIAL CUTS AND EVENTUAL PHASE OUT OF OPERATING ASSISTANCE PROPOSED BY THE ADMINISTRATION IN THE FISCAL YEAR 1984 TRANSIT PROGRAM BUDGET REQUEST.

THE PROPOSAL TO CUT FEDERAL OPERATING ASSISTANCE BY 67 PERCENT (THIS IN ADDITION TO THE 20 PERCENT ALREADY CUT FROM 1982 ASSISTANCE LEVELS BY H.R. 621) WOULD BE DEVASTATING TO BUS SERVICE IN ORANGE COUNTY. PHASING OUT OPERATING ASSISTANCE IN FY 1985 WOULD BE DISASTROUS.

THE ADMINISTRATION'S PROPOSED CUTS FOR FY 1984 WOULD RESULT IN A LOSS OF $7.8 MILLION IN OPERATING ASSISTANCE FOR THE ORANGE COUNTY TRANSIT DISTRICT. SERVICE WOULD BE SCALED BACK BY 15 PERCENT WITH AN ESTIMATED LOSS IN RIDERSHIP OF AS MANY AS 2 MILLION PASSENGERS AND THE LOSS OF UP TO 100 TRANSIT JOBS. THE PROPOSED ELIMINATION OF FEDERAL OPERATING ASSISTANCE IN FY 1985, WOULD STRIP OCTD OF MORE THEN $10.2 MILLION IN SUPPORT AUTHORIZED IN H.R. 6211, WITH FURTHER REDUCTIONS IN SERVICE, RIDERSHIP AND JOBS.

I SHOULD ADD THAT THERE ARE NO STATE OR LOCAL RESOURCES AVAILABLE TO REPLACE LOST FEDERAL ASSISTANCE. IN CALIFORNIA, FUNDS FOR LOCAL TRANSIT ARE PROVIDED BY A RETURN-TO-SOURCE OF ONE-QUARTER OF ONE PERCENT OF STATE SALES TAX. THE IMPACT OF THE RECESSION ON CALIFORNIA AND ON ORANGE COUNTY HAS REDUCED THESE FUNDS BY NEARLY 10 PERCENT. MOREOVER, BECAUSE OF UNEMPLOYMENT AND THE DIP IN GASOLINE PRICES, TRANSIT RIDERSHIP IS NOT GROWING, MAKING TRANSIT FARE INCREASES COUNTER-PRODUCTIVE. THOSE HURT MOST BY FARE INCREASES AND SERVICE CUTBACKS ARE THE TRANSIT DEPENDENT, THOSE WITHOUT CARS WHO MAKE UP 80% OF OCTD'S RIDERSHIP.

THE FUNDS FOR PUBLIC TRANSIT AUTHORIZED BY CONGRESS IN H.R. 6211 ARE NEEDED TO REALIZE ECONOMIC RECOVERY AND MEET THE TRANSPORTATION NEEDS OF THE JOBLESS, THE ECONOMICALLY DISADVANTAGED, THE ELDERLY AND HANDICAPPED, AND ALL THOSE WHO RELY ON PUBLIC TRANSIT SERVICE IN ORANGE COUNTY AND ELSEWHERE. WE URGENTLY CALL UPON YOU TO FULLY FUND THE COMMITMENTS MADE TO PUBLIC TRANSIT IN H.R. 6211 AND MAINTAIN TRANSIT OPERATING ASSISTANCE AS A KEY PART OF THE FEDERAL INVESTMENT IN PUBLIC TRANSPORTATION.

I WOULD ALSO LIKE TO TALK THIS MORNING ABOUT THE ADMINISTRATION'S PROPOSAL TO REDUCE THE FEDERAL ROLE IN INTERCITY PASSENGER RAIL TRANSPORTATION. AS YOU MAY KNOW, ORANGE COUNTY IS POSITIONED ALONG THE SECOND BUSIEST PASSENGER RAIL ROUTE IN THE COUNTRY - - THE SERVICE EXTENDING BETWEEN LOS ANGELES AND SAN DIEGO. MY COMMENTS

TOUCH ON TWO CONCERNS: (1) OPERATING SUBSIDIES PROVIDED THROUGH THE LOCAL RAIL SERVICE ASSISTANCE OR 403(B) PROGRAM OF THE RAIL PASSENGER SERVICE ACT; AND (2) THE NEED FOR SELECTED CAPITAL IMPROVEMENTS ALONG THE ORANGE COUNTY PORTION OF THE LOS ANGELES TO SAN DIEGO RAIL LINE.

CURRENTLY, THERE ARE SEVEN DAILY AMTRAK PASSENGER TRAINS, KNOWN AS THE "SAN DIEGANS," OPERATING BETWEEN LOS ANGELES AND SAN DIEGO. FEDERAL FUNDS PROVIDE BOTH CAPITAL AND OPERATING SUPPORT FOR THIS SERVICE. OPERATION OF THREE OF THESE TRAINS IS JOINTLY SUPPORTED BY STATE AND FEDERAL SUBSIDIES UNDER THE 403(B) PROGRAM. THE REMAINING FOUR TRAINS ARE COMPLETELY STATE FUNDED. NO LOCAL REVENUES ARE AVAILABLE TO SUBSIDIZE INTERCITY RAIL SERVICE.

IN THE PROPOSED FY 1984 BUDGET, THE ADMINISTRATION IS CALLING FOR A 16 PERCENT REDUCTION IN ASSISTANCE TO AMTRAK. THESE CUTS ASSUME THE TERMINATION OF THE 403(B) PROGRAM, WITH THE STATES FORCED TO PICK UP THE FULL COST OF PASSENGER RAIL SERVICES.

IN CALIFORNIA, THE PROSPECTS OF SECURING ADDITIONAL STATE FUNDS TO CARRY THE FULL COST OF 403(B) SERVICES ARE BLEAK. THE GOVERNOR AND THE STATE LEGISLATURE ARE CURRENTLY WRESTLING WITH A $1.5 BILLION STATE BUDGET DEFICIT, AND THE PROPOSED STATE BUDGET FOR THE COMING FISCAL YEAR INCLUDES OVER $11 MILLION IN CUTS TO THE STATE'S PASSENGER RAIL PROGRAM. WHILE NO REDUCTIONS IN SUPPORT FOR THE STATE'S SHARE OF JOINTLY FUNDED SERVICES ALONG THE LOS ANGELES TO SAN DIEGO CORRIDOR ARE PROPOSED, UNDER THE CIRCUMSTANCES I BELIEVE IT IS HIGHLY UNLIKELY THAT THE STATE WOULD BE ABLE TO ABSORB ANY ADDITIONAL COSTS FOR OPERATING THESE SERVICES.

ELIMINATION OF THE 405(B) PROGRAM WOULD HAVE A SEVERE IMPACT ON INTERCITY RAIL SERVICE IN OUR REGION. WE REQUEST THAT SUFFICIENT FUNDS BE APPROPRIATED TO CONTINUE THE PROGRAM AND ENSURE THAT ADEQUATE LEVELS OF PASSENGER RAIL SERVICE ARE MAINTAINED BETWEEN LOS ANGELES AND SAN DIEGO.

I WOULD LIKE, IF I MAY, TO MAKE ONE FINAL COMMENT. WE HAVE IDENTIFIED $3.5 MILLION IN CAPITAL PROJECTS WITHIN ORANGE COUNTY WHICH WOULD IMPROVE RAIL SERVICE ALONG THE LOS ANGELES TO SAN DIEGO LINE. TRACK IMPROVEMENTS ARE NEEDED AT THREE LOCATIONS TO MINIMIZE CONFLICTS BETWEEN FREIGHT AND PASSENGER SERVICE, IMPROVE RUNNING TIMES, AND PERMIT THE UPGRADING OF A STATION IN SANTA ANA, CALIFORNIA.

THE PROJECTS AND COSTS ARE:

(1) UPGRADING SOUTH MAIN TRACK FROM SANTA ANA TO IRVINE - $554,000;

(2) UPGRADING GALIVAN SIDING NORTH OF SAN JUAN CAPISTRANO - $1.07 MILLION, AND

(3) TRACK IMPROVEMENTS AT THE SANTA ANA STATION - $1.9 MILLION.

WHILE FUNDING FOR THESE PROJECTS IS CURRENTLY BEING SOUGHT FROM THE URBAN MASS TRANSPORTATION ADMINISTRATION, WE WOULD LIKE TO REQUEST CONSIDERATION FOR FUNDING FROM THE AMTRAK RAIL CAPITAL PROGRAM.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, THAT CONCLUDES MY REMARKS. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.

COLD WEATHER TRANSIT TECHNOLOGY PROGRAM

STATEMENT OF WILLIAM B. BERRY, UNIVERSITY OF NOTRE DAME

ACCOMPANIED BY:

ROY L. FERGUSON, VOUGHT CORP.

WILLIAM BREGOLI, MASSACHUSETTS BAY TRANSIT AUTHORITY

Senator ANDREWS. Our next witnesses are Roy Ferguson from the Vought Corp., William Berry from the University of Notre Dame, and William Bregoli from the Massachusetts Bay Transit Authority.

Welcome to the subcommittee.

Your testimony will appear in full in the record. We appreciate your summarizing.

Mr. BERRY. Thank you, Mr. Chairman.

We thank you for the opportunity to speak in behalf of the cold weather transit technology program.

My name is William Berry. I am the assistant dean for research and graduate studies in the College of Engineering at the University of Notre Dame and am responsible for the proper conduct of this grant.

With me is Roy L. Ferguson. He is the director of ground transportation for the Vought Corp. and is responsible for all Vought-related activities. Vought is a principal subsidiary of the LTV Corp.

Also sitting at the table is Bill Bregoli of the Massachusetts Bay Transit Authority. This past winter a great deal of our test work was done in connection with MBTA. Mr. Bregoli is prepared to answer your questions as to how this program directly affects transit cold weather operations.

Mr. Chairman, the committee participated in initiation of the program following our presentation of the $20 million 4-year program in 1979. The first 3 years are funded, the second year by agreement with Congress to focus on equipment of existing rail and bus systems.

We discovered that the cold weather problems of those systems is essentially identical to the cold weather problems of the automated highway systems on which we had been working and visualized the additional problems and need of work which this technical assistance approach has uncovered.

Let me summarize the current status of the program by mentioning some of it. The initial work resulted in a nine-volume report. Direct participation and cooperation has been received from Chicago Transit Authority, Capital Area Transit Authority of Lansing, Mich., Mass Bay Transit Authority of Boston and Amtrak of Niles, Mich.

At Lansing, Mich., successful tests have been made on the bus wheel deicing system. I might add that this system was to have been tested in Huntington, W. Va. However, that system had to close down during our winter operating period.

Chicago Transit Authority air-cooling system which eliminates injection of ice, snow, and salt, has been developed and successfully tested today.

At Niles, Mich., heating equipment has been tested and the testing continues.

At Boston improved efficient third-rail heaters under test today show a 69-percent energy savings. A prototype hydroblast system has been tested in Boston and technical assistance has been provided to solve the running rail pull apart problem.

The transit properties have requested data that came out of this work. Laboratory devices and equipment ready for prototype development includes third-rail radio frequency deicing, successful to date at 10 miles per hour, 18-foot rotating drum. This equipment also required modernization of power supply equipment.

Mr. Chairman, let me summarize very quickly. We are midway through the total program. Total funding is nearly exhausted and work will stop during 1983 unless additional funds are programed.

We submit for the record a copy of our complete statement.

Senator ANDREWS. Your statement will appear complete in the record just as submitted. We appreciate your coming.

[The statement of Mr. Berry and Mr. Ferguson follows:]

STATEMENT OF DR. WILLIAM BERRY AND ROY L. FERGUSON

Project: Cold Weather Transit Technology Program

Background:

During the 1979 hearings, the University of Notre Dame and the Vought Corporation presented a comprehensive four-year Cold Weather Technology Program to the United States Congress, which was dedicated to the defeat of snow and ice deterrents to automated transit operations. The Congress appropriated $5.5M of FY-80 funds as the first increment of this $20M total program.

In FY-81, the Congress provided an additional $5.5M to continue the program, but before funding was released, the program objectives were re-oriented by UMTA, and the thrust was changed to include only near-term benefits to existing transit systems.

Although the redirection changed the tasks and the equipment to be developed, the program objectives remained the same. That is, to bring modern technology to bear on the adverse effects of snow and ice on transit operations.

Notre Dame and Vought, with the assistance of several northern transit authorities, have made significant progress and have already tested several full-scale prototypes in adverse weather under conditions of full revenue service and in research and development environments. These systems, plus several newer developments now undergoing laboratory testing offer the promise of significantly improving on-time service, lowering operating costs, and improving safety in adverse weather conditions.

These efforts will cease in 1983 unless additional funding is made available.

Specific Request:

That the Congress provide $7.0M FY-84 funding so that operationally-usable hardware can be developed from the "proof-of-principle" testing already completed; that technical assistance to the transit properties can be continued; and that prototype testing can be accomplished on the emerging laboratory developments.

Mr. Chairman and Members of the Committee:

We thank you for the opportunity to speak in behalf of the Cold Weather Transit Technology Program. My name is William Berry. I am the Assistant Dean for Research & Graduate Studies in the College of Engineering at the University of Notre Dame and am responsible for the proper conduct of this grant. With me is Roy L. Ferguson. He is the Director of Ground Transportation for the Vought Corporation and is responsible for all Vought-related activities. Vought is a principal subsidiary of the LTV Corporation. Also sitting at the table is Bill Bregoli of the Massachusetts Bay Transit Authority. This past winter a great deal of our test work was done in connection with MBTA. Mr. Bregoli is prepared to answer your questions as to how this program directly affects transit cold weather operations.

Mr. Chairman and Members of the Committee:

We would like to refresh your memory in regard to this program which was originally proposed to you in 1979. At that time we proposed specific suggestions and guidance in regard to the utilization of advanced technology to reduce the transit problems created by the ice and snow of severe winter weather which affects one-fourth to one-third of our nation each year. What was proposed was a technological attack on ice and snow using advanced techniques and other concepts which individually or in combination would prevent or break the ice bond to facilitate ice control and snow removal in a more effective manner than by heat, sanding, salting and shoveling.

The academic skill of the University of Notre Dame, plus Vought's engineering capability in advanced technology and experience in designing, building and operating a people mover system, made it possible to activate an effort which, if even partially successful, could have a major and desirable impact on large areas of our nation during winter months. Verbally, Mr. Arthur Teele, Administrator of UMTA, has stated his intentions to designate Notre Dame University as the associate center of favored status on cold weather transit technology.

The program, as outlined to the committee in 1979, was estimated as a $20M four-year effort excluding parallel development of a proposed national research center for ice control and snow removal at a northern "clime" location. The FY-80 funding which was proposed in 1979 provided $5M for the Cold Weather Transit Technology program, and $500K for initial planning and engineering of a research center. The original program was eventually passed by the Congress and signed by the President.

Again in 1980 we appeared before this committee and requested FY-81 second-year funding and Congress appropriated $5.5M for this continued effort.

Prior to release of the FY-81 funding to Notre Dame, the program was re-oriented at the direction of UMTA and the thrust was changed from automated systems to one of finding near-term problem solutions for existing transit systems; i.e., buses and rail rapid transit trains. However, the objective remained the same. That is, to bring modern technology to bear on the adverse effects of snow and ice on transit operations. Although this

redirection changed the tasks and the equipments to be developed, it did not reduce the scope of the effort because winter-related problems of buses and rail systems are every bit as formidable as those experienced by automated systems.

Notre Dame and Vought have made excellent progress over these two funding periods.

- At Lansing, Michigan -- the second year of winter tests have been conducted on a bus wheel well de-icing system which has been highly successful. This program was conducted in conjunction with the Capital Area Transit Authority of that area.

- At Chicago, Illinois -- two rail cars of the Chicago Transit Authority were equipped with systems to provide snow-free air to the cars' traction motors. Both cars are in revenue service and we believe these systems will greatly reduce traction motor failure rates and extend the life of these expensive systems.

- At Boston, Massachusetts -- a Massachusetts Bay Transportation Authority vehicle was equipped with a newly-developed hydroblast (high pressure water jet) system for removing ice from the third rail. Ice on this rail is a major cause of system shutdown and melting of the ice by resistance heating of the rail is very expensive. Although the hydroblast vehicle was only a prototype configuration, ice formations nearly a quarter of an inch thick were removed at speeds of up to 30 mph.

- At Boston also -- improved efficiency third rail heaters are in test and our test results today show a 69% energy savings over the normally used heaters. We expect that an 80% savings can be attained through optimization.

- A Technical Assistance effort was provided one rail property who experienced an excessive number of running rail "pull-apart" failures. Through extensive research, this program was able to determine causes for these failures. Three transit properties have requested the data.

- At Niles, Michigan -- AMTRAK is now testing switch heater applications.

This has become a true cooperative effort and our progress to date could not have been accomplished within the time and the funds expended

without the technical support and equipment furnished at no cost to the program from UMTA, the Transportation Systems Center equipment suppliers, and each of the participating transit properties.

To this point we have only mentioned that work which has been taken to the prototype stage. This program has also developed laboratory devices which, if successful, will provide major breakthroughs in cold weather operation.

- We have tested, up to 10 mph, the feasibility of using radio frequency inductive heating as a means of ice removal from a third rail.
- We have tested a weather precursor device which can detect the formation of ice before it can be seen. This device offers potential of automatically initiating countermeasures for ice removal before the ice has built to a significant thickness.
- We have shown the feasibility of a third rail cap which will conduct electricity, yet will significantly reduce ice adhesion.
- We have demonstrated the efficiency of newly-designed ice scrapers for third rail ice removal.
- Finally, we believe that by using modern-day "state-of-the-art" technology the prototype de-icing equipment can be miniaturized to the point where it can be easily used, yet be rugged enough to survive in the rail operational environment.

We are now midpoint in the total program's life and have met every checkpoint on schedule. We can complete all tasks planned and budgeted for this phase with the funds now remaining. However, without additional funding, we cannot proceed toward the development of operationally usable systems nor continue with the development of the laboratory devices. Equally important, we cannot continue to support the requests for additional "technical assistance" now being made by the transit properties to help improve their operational performance.

The FY-81 funds are nearly exhausted and all work will stop during 1983 unless new funding can be obtained. We have seen first-hand the need and initial success of a technical assistance and demonstration program to our financially-ailing transit industry. We are, therefore, requesting an appropriation of $7M of FY-84 funding to:

- Test the alternate third rail de-icing system.
- Develop operational systems from the demonstrated "proof-of-principle" hardware.
- Provide "technical assistance" for a myraid of site specific prol em areas.
- Determine the utility and reliability of the precursor sensor, new rail design and de-icing equipment miniaturization through winter tests.

We urge you to give full consideration to the additional funding required for this research and development program. Admittedly, there is risk in obtaining all of our objectives; however, the results of a successful program would far offset any risks if we reach the solutions to the problems we are attacking.

We thank you for this opportunity to address this Subcommittee and we appreciate the interest of each of you and your able staffers.

CONGRESSIONAL WITNESS

STATEMENT OF HON. LLOYD BENTSEN, U.S. SENATOR FROM TEXAS

Senator ANDREWS. We now have the distinguished Senator from Texas.

Senator BENTSEN. Thank you very much, Mr. Chairman.

I want to first thank you for letting me come in the other day and question the Administration's witness, Mr. Teele.

Senator ANDREWS. You did an excellent job.

Senator BENTSEN. I was deeply concerned about new rail starts. I know you remember what a tough debate we had on the new gasoline tax and what we did about highways and again what we did about mass transit.

The one thing I was particularly involved in on mass transit was new starts. At that time Secretary Drew Lewis was representing the Administration. I told Secretary Lewis I just didn't think it was fair to collect the money from the people of Houston and then deny them, if they had a cost effective mass transit system, some of those funds to come back for new starts.

He told me at the time his problem was with David Stockman who did not want new starts. He visited with Ed Meese and visited with Dave Stockman.

He finally told me he had an absolute commitment to support new starts, that that was a change in policy. That meant effectively supporting new starts.

I said, "Mr. Lewis, do I have your word on that?"

He told me that I did, that it was a flat commitment.

Since that time I have talked again to former Secretary Drew Lewis and he said that my recollection is exactly right. He said, "I gave you that commitment and I had that commitment from Mr. Stockman and Mr. Ed Meese is aware of that."

When Secretary Elizabeth Dole was to be confirmed and appeared before the Environment and Public Works Committee I reiterated the commitment. I said, "Is that still the policy? Can you reaffirm that?"

She did just that. I quote her directly. "I will give you that assurance, Senator Bentson, that is very definitely the situation."

On April 14 I heard a different story. That is my concern. I just do not believe it is right to renege on that kind of commitment.

You know, it is pretty tough to make this legislative process work around here. Once a Congressman or Senator or an Administration official makes that kind of commitment you expect it to be lived up to because if it is not, the effectiveness will be lost. I hope some of these new rail starts can be funded.

Let me say Senator D'Amato was here during that last questioning of Mr. Teele. Senator D'Amato came on very strong that he felt that it was terribly important that Houston have that kind of support, that he personally had been down checking on the situation and thought it was the most serious problem facing mass transit in the United States today.

One of the things I want to emphasize, Mr. Chairman, is Houston's commitment to assist in this regard. Houston is talking about making a 56-percent commitment. That is twice, over twice the required 25 percent.

They are seeking no Federal operating subsidy. They are able to achieve that because the local citizens are supporting it. I am asking the support of this committee in this regard. I do believe that the Administration is reassessing its position and I do believe that we are going to finally get that support again from them. I think it is terribly important that they do so.

Mr. Chairman, I am very pleased to have these representatives from Houston mass transit and the State of Texas here. I know of their deep concern for mass transit. They can speak with a great deal more detail on this project.

Dan Arnold is an old friend of mine. He has given a great deal of his time, for no compensation at all, in trying to assist in developing Houston's mass transit. I am going to let him introduce the rest of the participants and ask for consideration of their request.

Senator ANDREWS. Thank you, Senator, for the work you did in carrying the message to Mr. Teele.

[The statement follows:]

STATEMENT OF SENATOR LLOYD BENTSEN

Mr. Chairman, today you will be receiving testimony on the subject of the cold weather transit technology program. During the fiscal year 1980 and the fiscal year 1981 hearings, this subcommittee received testimony on the potential of bringing modern technology to bear on many of the cold weather problems of our transit operations. Funding was made available for a program to address these important problems.

For the past several years a combined effort by Notre Dame University and the Vought Corp., have been undertaking creative research and analysis of cold weather transit problems. The results to date have been beneficial. Devices have brought the full scale prototype stage and tested under real world outdoor conditions. Others have, in the laboratories, shown great promise.

This program has captured the interest of several large transit authorities and they have been cooperative partners in design and testing of systems. Both the Chicago Transit Authority and the Massachusetts Bay Authority (Boston) have publicly endorsed the research efforts that have been pursued under the cold weather transit technology program.

This program has achieved some substantial breakthroughs during the years it has been under way. However, the funding which was appropriated in fiscal year 1981 is nearly exhausted and all work will terminate by the end of the year unless more is made available. I would urge the committee to provide additional funding for further research on this important issue. It is my understanding that $7 million could be usefully spent to continue the program in fiscal year 1984. This program has been beneficial to the mass transit functions of this country. It seeks near term solutions to problems that have existed for many years and could result in greater on-time service, lower operating cost, and improved safety in adverse weather conditions.

Thank you for the opportunity for submitting this testimony.

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEX.

STATEMENT OF DANIEL C. ARNOLD, CHAIRMAN

ACCOMPANIED BY:

SARAH WEDDINGTON, DIRECTOR, OFFICE OF THE STATE OF TEXAS, WASHINGTON, D.C.

ALAN KIEPER, GENERAL MANAGER OF METRO, HOUSTON

Senator ANDREWS. Mr. Arnold, let me assure you the deails of your presentation will be included in full in the record.

Mr. ARNOLD. Thank you, Senator Bentsen. We appreciate your taking time from your busy schedule to be with us.

Mr. Chairman, I have with me on my immediate right Ms. Sarah Weddington who is director of the Office of the State of Texas in Washington and Alan Kieper, our general manager of Metro in Houston.

Ms. Weddington is representing Gov. Mark White who hoped to be here today, but inasmuch as we are in the last month of our biannual Texas legislative session, he could not be with us, but she has a statement she would like to make on behalf of our Governor.

Senator ANDREWS. It is good to see you again.

She used to appear before our House committee on the other side.

STATEMENT OF SARAH WEDDINGTON

Ms. WEDDINGTON. It is a delight to be with you.

In the interest of time, I will make a brief statement.

Gov. Mark White did ask me to come and appear on his behalf to indicate his wholehearted support for the city of Houston's request regarding the 18.5-mile rapid transit proposal.

We are a rapidly changing State. Our highways and our rapid mass transit systems are simply no longer adequate to meet the needs of the population and the people. We are trying to provide a great deal of the expense ourselves, but we do need help.

It is our hope that this committee and the Congress will look favorably on this request and recognize the needs of a growing Southwest and particularly, rapidly growing Houston.

Senator ANDREWS. Thank you very much. It is good to see you again.

Mr. ARNOLD. Thank you, sir. We appreciate that very much. You might say the empty chair I now have on my right was reserved for our mayor, Kathryn Whitmire, who hoped to be with us today. She got caught in the Texas legislature testifying last night on behalf of bills for the city of Houston and could not catch the plane she anticipated to come up on last night.

Senator ANDREWS. Let me assure you if you have her statement, we will include it in the record as if she were here.

Mr. ARNOLD. I appreciate that. As you say, you will incorporate my statement in the record. Let me make two or three brief statements here. I know the hour is late.

Houston is in a mobility crisis. In 1978, by a public referendum, we created the Metropolitan Transit Authority of Harris County and imposed upon ourselves a 1 penny sales tax, one of only two cities in the country that are self-funding in that manner.

It is through that penny sales tax that we are able to fund more than the required 25 percent local match, that both Senator Bentsen and Ms. Weddington referred to, of our proposed 18½-mile rail system. Thus far, the citizens of our service jurisdiction, Harris County, have paid in nearly $600 million through last month. These are solely funds used for mass transit.

In order to overcome the mobility crisis that we have in Houston—the fourth largest city in the country—we have designed a regional mobility plan, included in which is the 18-mile rail system.

Because of the reasons set forth in our statement to you and those which the previous two speakers have mentioned, and I would emphasize again the strong local share which we propose to put in, we believe that this project is very meritorious for the support of this committee and we certainly urge your strong consideration of it.

We appreciate very much the opportunity afforded to us to appear before you today and the courtesy shown to us.

Senator ANDREWS. Thank you, Mr. Arnold, and thank you for making such a persuasive presentation.

[The statement of Mr. Arnold follows:]

STATEMENT OF DANIEL C. ARNOLD

On behalf of the Metropolitan Transit Authority of Harris County, Texas (METRO), I appreciate the opportunity to come before the Subcommittee today to discuss Houston's plans for construction of an 18.5-mile rapid rail transit system. Although METRO expects to finance a substantial portion of the project's capital cost from local sources, we are here to request consideration of federal funding to supplement these local efforts.

This morning, I would like to share with you several reasons why I believe Houston's project deserves federal funding. First, Houston has demonstrated strong local commitment to the project by proposing to fund 56 percent of the total project capital cost from non-federal sources. Second, Houston's need for high capacity transit service, specifically, rapid rail, has been extensively documented. Third, there is strong local government, private sector, and community support for the system. Fourth, METRO is prepared to cover the entire cost of operating the rail system from non-federal sources. Fifth, METRO has taken great pains to assure that the proposed system is uniquely tailored to meet Houston's transit needs. Finally, the system is a fully integrated element of a comprehensive regional transportation program designed to provide a long-range solution to Houston's severe traffic problems.

I. BACKGROUND AND NEED FOR A RAPID RAIL SYSTEM

A. Houston Is Experiencing Unprecedented Growth

The Houston area has grown rapidly in the last two decades. Between 1960 and 1970 Harris County's population increased 40 percent and grew an additional 38 percent between 1970 to 1980. Harris County's present population is 2.4 million -- a figure expected to double by the year 2000. The current growth in population is placing an average of 300 new vehicles on Houston's streets and freeways daily.

Today, Houston is the largest city in the State of Texas and the fourth largest city in the nation after New York, Los Angeles, and Chicago. Its position as an energy capital, a financial center, and as a leader in the retailing, engineering and construction industries attracts hundreds of new residents to the area each week. From 1970 to 1980, employment increased over 68 percent, with a projected additional increase of 45 percent between 1980 and 1990.

Development in Houston has been patterned around several major activity centers as well as the central business district. As a result, suburban communities are growing into active business centers. This growth has severely strained the ability of the existing freeway, road, and public transit systems to handle growing transportation demands.

In 1970, traffic congestion lasted an average of three hours each day, limited largely to morning and evening rush hours. By 1981, the congestion on Houston's freeways was no longer a rush hour phenomenon, lasting an average of seven and one-half hours per day. A number of our major freeways have literally become "parking lots" during a substantial part of each day. In studies of the effects of this congestion on the local economy, the Chamber of Commerce has estimated that Houstonians are paying a "traffic congestion tax" of almost $800 per person each year when one considers the value of lost time as well as increased gasoline and insurance costs.

Houston's traffic congestion is now considered among the worst in the country. The region's continued economic vitality is dependent upon remedying our traffic problems.

B. Creation Of METRO And The Regional Mobility Plan To Improve Area Mobility

The creation of the Metropolitan Transit Authority of Harris County (METRO) was a direct result of the urgent need for improved public transportation in the Houston metropolitan area.

In 1978, the citizens of Houston and its surrounding cities voted by referendum to create METRO and to develop a comprehensive, mass transportation improvement program for the Houston/Harris County area. The voters also approved a special one-cent sales tax dedicated exclusively to regional mass transit improvements.

Since its inception, METRO has been the principal agency responsible for improving public transportation within the Houston region. In 1980, the METRO Board formally adopted a comprehensive transit development program consisting of three major elements: (1) bus service improvements; (2) regional transit services; and (3) regional transitway development. This program provides for substantial increases in bus and high occupancy vehicle service as well as completion of an 18.5-mile trunk rapid rail system by 1988. Development of bus and rail will be coordinated to provide a single, integrated transit system.

These improvements are a critical element of the area's comprehensive, fifteen year Regional Mobility Plan (RMP). The RMP was a joint effort of transportation professionals at METRO, the City of Houston, Harris County, the Texas Department of Highways and Public Transportation, and the Texas Turnpike Authority, working under the leadership of the Houston Chamber of Commerce. The RMP outlines a system of street, freeway, and mass transit projects that will work together to improve mobility in the Houston area. A cornerstone of the RMP is cooperation and coordination between the public and private sectors to ensure that major regional transportation projects are effectively integrated into a comprehensive transportation improvement plan. METRO's rapid rail transit system is a critical element of the RMP.

II. HOUSTON'S RAIL PROJECT

A. Rapid Rail Is The Most Cost-Effective System To Serve Houston's Needs

In 1979, METRO studied the potential of several Harris County travel corridors to support high capacity transit sys-

tems. As a result of these studies, permanent high occupancy vehicle/busways are being constructed in three of these corridors, I-10 West (Katy Freeway), I-45 South (Gulf Freeway), and I-45 North (North Freeway), in conjunction with related freeway improvements. These same studies found that the County's most severe congestion and highest potential transit demand was found in the Southwest and North corridors.

These two corridors form a transit spine which contains the region's largest and fastest growing residential areas and employment centers. In 1980, this combined corridor contained 46 percent of the total metropolitan area's population of 2.6 million people and 53 percent of the area's employment of 1.3 million. By the year 2000, projections show that this corridor will contain 50 percent of the area's expected population of 4 million people and 60 percent of the 2.3 million jobs within the metropolitan region. Much of the employment in the corridor is concentrated in six major activity centers: North Belt, Downtown, Texas Medical Center, Greenway Plaza, Post Oak/Galleria and Westchase. Already, at least two of our "suburban" employment centers -- Post Oak/Galleria and Greenway Plaza -- rival or exceed employment densities in the downtown sections of Baltimore and Pittsburgh.

In 1982, the Regional Mobility Plan identified the Southwest/North Corridor as the area with the highest transit demand and determined that a high-capacity transitway would be the only viable means of serving the area's travel needs. METRO then undertook an Alternatives Analysis to determine the most appropriate transportation improvement for this corridor. It analyzed six mass transit technologies to determine the one best suited for the Southwest/North Corridor: busway, commuter rail, monorail, light rail, automated guideway transit (people mover), and rapid rail. Of these alternatives, only exclusive busway and high capacity rapid rail were capable of meeting the corridor's transportation needs. METRO undertook a more detailed analysis

of these two technologies based on ridership and system capacity, operating costs, cost-effectiveness and impact on the downtown area and other communities. A rapid rail system was found to be the superior system:

- Capacity -- The RRT has the capacity to satisfy the projected demand in the year 2000, while retaining the capability to expand and handle future increases in demand. RRT will carry almost eleven percent more passengers per day than busway. This amounts to fifteen million more passengers per year.
- Operating Cost -- By the year 2000 the total operating cost for a regional transit system including RRT in the Stage One Corridor is $258 million. A regional all bus system including an exclusive busway in the Stage One Corridor would have an operating cost of $283 million or approximately $25 million per year more than the RRT with its supporting bus system.
- Cost-Effectiveness -- Although the initial capital cost of RRT is higher than that of busway, this cost is offset by lower operating costs on a cost per rider basis, resulting in a lower overall life cycle cost for the system.
- Downtown Impact -- By the year 2000, the busway alternative would put over 400 more buses in the Downtown area during the peak hour than would the RRT with its supporting bus system. The total of 950 buses in the busway option requires the dedication of exclusive bus-only lanes on fifteen streets in the downtown area. This reduces available street capacity, increases traffic congestion and interferes with over 100 parking entrances. The busway alternative annually adds significantly more pollutants than the rail alternative to the air.
- Community Impact -- More than twice as many residents will be displaced by the busway alternative because of its wider guideway.

The results of the Alternatives Analysis clearly show that a rapid rail system is best capable of serving the Southwest/North corridor's transit needs. In September 1982, the METRO Board of Directors approved the development of a rail system. Mayor Kathryn Whitmire, the Houston City Council, Governor Mark White, the Chamber of Commerce and other leading business, civic, and community groups have since wholeheartedly endorsed the project. The target date for opening the first segment of the project is December 1987.

B. The Rapid Rail System Is Well Designed

Houston's rail project is designed to run 18.5 miles and will extend from Crosstimbers, south through the downtown, and

west to West Belt. To minimize costs, only 1.9 miles of the system will run underground. Approximately 5.3 miles will be at-grade and 11.3 miles will be aerial. There will be seventeen stations, nine of which will be aerial, five at grade level, and three underground. To reduce costs and minimize the impact on the community, METRO plans to rely extensively on existing right-of-ways in constructing both the rail line and stations.

METRO has designed the rail project as an integral part of the regional transit system. An extensive feeder bus system will shuttle patrons to the rail system and provide expanded bus service to areas not served by the rail system. Approximately 60 percent of METRO'S passengers will arrive at the stations by bus. Several stations will also accommodate drop-off areas and Park-and-Ride lots to serve the 9 percent of rail passengers arriving at the stations by car. Thirty-one percent will walk to the system.

The rapid rail system is designed to accommodate a large number of riders. The capacity of the initial system will be 17,000 passengers per hour in one direction. Ultimately, METRO will be able to expand the system.

III. ECONOMIC BENEFITS OF A RAPID RAIL SYSTEM TO THE CITY OF HOUSTON

The construction of a rail system in Houston will benefit the community in a number of ways. Beyond improving the mobility of area residents, advantages will flow from the actual construction of the system.

For example, the construction of a rapid rail system will generate employment and income from a number of sources. The project will provide between 10,700 and 13,200 man years of employment. Virtually all construction labor will come from the local workforce. With ten percent unemployment in the area, METRO's jobs will provide needed relief.

Of the total $1.3 billion that METRO will spend for con-

struction, manufacturing, and services, approximately 75 percent will flow to the local economy. Further, every dollar spent in the local economy will transfer into an additional 2.8 dollars, or a total of $3.9 billion, if you consider the region's economic multiplier.

Regional use of the rapid rail system will promote Houston's continued economic vitality. The region has a strong economy and a demand for skilled and unskilled labor to fill jobs in the marketplace. An effective rapid rail transit system will make it possible to meet the employment needs of the city's industries.

In the past, employment and residential development in the Houston area have been influenced by an extensive freeway network. These freeways have been unable, however, to keep pace with Houston's growth. During the next twenty years, little opportunity exists for highway expansion sufficient to meet regional transportation needs.

The effects of congestion have already contributed to a trend among new and established businesses to locate away from the urban core. Uncontrolled, this trend could undermine efforts to revitalize the economic base of inner city areas as well as affect the continued economic and social viability of the metropolitan area as a whole. The rapid rail system will help to revitalize communities and direct future development along high-density commercial and residential corridors.

IV. PROJECT CONSTRUCTION SCHEDULE, COSTS AND FINANCING

A. Construction Schedule

METRO has adopted an aggressive plan to put the rail project into operation within five years. Houston's dramatically declining mobility and its impact on the City's economic vitality require prompt action. The first 12.7 miles of the project -- running from Crosstimbers through the central business district to South Rice -- will be in service by the end of December 1987.

The remaining 5.8 miles from South Rice to Westbelt is scheduled for service by the close of 1988. METRO established this schedule based on the experiences of other transit authorities in the construction of large rapid rail systems. This experience also has been extremely valuable in the selection of cost-effective and proven technology.

B. Reasonably Estimated Capital Costs

The estimated capital cost of the rail project is $2.13 billion (inflated dollars). These costs include:

	($ million)
Engineering & Management	$ 333,864
Construction & Procurement	1,345,311
Right-Of-Way	200,902
Insurance	55,308
Sub-Total	1,935,385
Contingency (10%)	193,539
TOTAL COST	$2,128,924

These cost estimates have been carefully refined and reviewed by the UMTA professional staff.

C. Financing Of The System: Substantial Non-Federal Contribution

The public transit improvements needed to sustain the growth and vitality of the Houston area will require a substantial amount of money. METRO has been systematically exploring a wide range of financing options and has fully assessed all costs and risks associated with each before proceeding with a specific financing plan. Firm estimates of capital requirements have been developed and a plan of financing has been designed to ensure METRO's access to financial resources at a reasonable cost. Specifically, METRO is prepared to commit $1.192 billion, or approximately 56 percent of the total capital cost of the project, from local funds. The principal sources of these funds will be sales tax collections

(over $596 million since 1978), fare box revenues, vendor financing, and, pending a bond election, short and long term debt securities.

Houston's commitment of substantial local funds for the project underscores the strong local support for the rail system. Nevertheless, some federal assistance will be necessary to complement local funds to ensure timely implementation of the rail project and to permit METRO to fulfill its total transit obligation.

On April 5, METRO submitted to the Department of Transportation a revised grant application and request for a Letter of Intent which would commit UMTA to funding only 44 percent, or $937.6 million, of the cost of the entire rail project. These federal funds will be used for: (1) real estate acquisition; (2) engineering and design; (3) construction of facilities; and (4) construction of right-of-way. These elements of the project generate direct employment opportunities. For FY 1984, we are specifically requesting an initial federal commitment of $150 million to cover the costs of right-of-way acquisition, engineering and design work, as well as some construction.

Most of the activities to which METRO will contribute local funds are more administrative in nature and therefore are more appropriately a local responsibility. The transit cars, however, will be purchased with local funds to permit METRO to take advantage of the Safe Harbor Leasing benefits which Congress enacted into law in 1981.

Although by law METRO is bound to comply with "Buy America" provisions only with respect to its use of federal funds, METRO intends to comply with these provisions with respect to all aspects of the project. All steel, concrete, and manufactured goods will meet "Buy America" guidelines. The rail cars, in fact, will have 70 percent domestic content and final assembly will take place at a plant in the Houston area. Thus, there is

no question that METRO's rail project will create new jobs and help stimulate the local and national economy.

V. CONCLUSION: HOUSTON'S RAIL PROJECT MERITS FEDERAL FUNDING

METRO believes that Houston's rail project merits favorable consideration for federal assistance under the criteria set forth in the 1982 federal highway/mass transit authorizing legislation Specifically, the conference report directed that a fair share of the gas tax revenues be set aside for new rail construction which maximizes the cost-effectiveness of the federal contribution, including use of existing infrastructure or "substantial non-federal capital contribution." Elaborating on these points in recent hearings before the House and Senate Appropriations Committees, UMTA Administrator Art Teele placed particular emphasis on the importance of local financial commitment, cost-effectiveness, and local government, private sector, and community support. METRO's rail project clearly satisfies these criteria.

First, Houston has demonstrated unparalleled local commitment to its rail project. Houston is willing to make a substantial local contribution to the project which is over twice the required 25 percent -- a 56 percent local matching share.

Second, there is a demonstrated need for the rail system. The rapid growth and development in the area have severely strained our existing transportation system.

Third, there is strong local government, private sector, and community support for the rail project. The Houston City Council, Mayor Whitmire, the Chamber of Commerce and other leading business, civic and community groups have strongly endorsed the rail system. The citizens of Houston adopted a one cent sales tax which is specially dedicated to funding mass transit. METRO also has been coordinating with business groups on joint development projects which will help to finance the construction and development of certain rail stations.

Fourth, Houston's project will require no federal operating subsidies. One hundred percent will be recovered from non-federal sources, including sales tax receipts. We are asking for federal assistance only for the initial capital construction of the project.

Fifth, the project is a well-designed, cost-effective system uniquely tailored to fit the transit needs of our growing city. METRO has conducted extensive studies to determine the best system to serve Houston. Its decision to build a rapid rail transit system is based on conservative population and ridership forecasts which indicate the ability to support such a system. METRO has been cautious not to overbuild and has limited the project to an 18.5-mile corridor which will link the City's major activity centers. Its decision to build most of the system at-grade or above ground and to utilize existing right-of-ways will result in substantial cost savings.

Sixth, METRO has designed the rail project to serve as an integral part of a long-range regional transportation plan. The Regional Mobility Plan lays out a comprehensive transportation program which will provide Houston with a viable solution to its traffic congestion problems. The rail project, as the focal point of a coordinated feeder bus and park-and-ride system, is an essential element of our comprehensive transit plan.

Houston is commited to the construction of an efficient, high capacity rail system. It is the one system that will best serve the region's needs. Faced with unparalleled transit problems and prospects for a worsening situation, METRO must act now to remedy the situation. Federal assistance is needed to make our rail system and regional transportation program a reality within the foreseeable future.

NEW JERSEY DEPARTMENT OF TRANSPORTATION

STATEMENT OF JOHN P. SHERIDAN, JR., COMMISSIONER

Senator ANDREWS. Our next witness is John Sheridan, commissioner of transportation, State of New Jersey.

Mr. Sheridan, it is good to have you here. Let me assure you your prepared statement will appear in full in the record.

Mr. SHERIDAN. Thank you very much.

I appreciate the opportunity to be here today.

Let me say I am John Sheridan, commissioner of transportation of the State of New Jersey, and chairman of the board of New Jersey Board of Transit. I am here as representative of the Coalition of Northeast Governors and at the request of Governor Kean, Governor of New Jersey, chairman of the coalition.

My perspective is not as a transit advocate alone but as the person responsible for an overall transportation system in New Jersey. New Jersey has more traffic per line mile of road than any other State in the Nation—more than four times the national average.

Plain and simply, our State depends on an effective public transportation system. Not only does that system benefit the users of public transit, but it benefits all those persons and businesses who are dependent on our highways by substantially reducing traffic.

In addition, it benefits all of our citizens and helps to achieve two national goals—namely, it reduces air pollution and conserves energy.

I have come here to urge you to maintain the same level of support which the Congress committed to in the Surface Transportation Assistance Act of 1982.

Governor Kean and I strongly supported the Surface Transportation Assistance Act in large measure because transit operating subsidies were to be stabilized over the 4-year period of the act at the $44.3 million level.

Other Northeastern States supported the act for similar reasons, largely because of the fact that $43 million was provided and continued to be provided over a 4-year period.

New Jersey Transit operates both bus systems. We carry 70,000 rail passengers and 224,000 daily bus passengers. Our total operating budget last year was $416 million. Mass transportation is vital to New Jersey's economic well-being.

In congested, heavily industrialized States like New Jersey, Pennsylvania, Massachusetts, Connecticut, and other Northeastern States it is essential to the States' economy that people have a convenient, comfortable, and affordable means of transportation.

In New Jersey we are conscious of the need to economize in government. It has been a principal theme. One of the major steps taken in that direction was a very strong stance in our rail labor negotiations over the past month. We endured a 5-week strike. We believe we were successful and managed to effect millions of dollars in savings as a result of negotiations.

In addition, the Governor has a Governor's management improvement program with the use of private business executives that has conducted an intensive analysis of the operation of New Jersey Transit and has also managed to save millions of dollars from that program.

Despite these savings we are unable to operate a viable bus and rail system without operating assistance from the State and Federal Government. Commuters on New Jersey transit bus and rail systems have gone through three fare increases in the past 2 years.

In 1981, a 25-percent increase, last year another 18-percent increase, and we are projecting a 7-percent increase in the years ahead. Fare increases of this magnitude have driven the fare box recovery rate to the second highest level in the Nation. They have also caused a drop in ridership.

The key point is that we cannot afford the drastic cut proposed by the Office of Management and Budget. We strongly urge the Congress not to agree to that proposal and to stand fast in its commitment that was made in the Surface Transportation Assistance Act of 1982.

The other point is that we would strongly urge you to fund, fully fund, the capital assistance program that was part of that act because that is the key to helping us keep down our operating costs and to continue to help us have a viable system.

I have tried to summarize as much as possible. Thank you very much.

Senator ANDREWS. Your total statement will appear in the record.

[The statement of Mr. Sheridan follows:]

STATEMENT OF JOHN P. SHERIDAN, JR.

SUMMARY

- NJ TRANSIT operates a rail passenger service that transports 70,000 commuters daily and a bus system which serves 224,000 daily riders. In FY 83, its total operating budget was $460 million.

- NJ TRANSIT recently endured a five-week rail strike in an effort to achieve contracts with 16 locals that would include salary schedules and work rules consistent with today's economy. The net effect of the negotiations was a $4 million savings.

- NJ TRANSIT passengers have been burdened with a series of fare increases in recent years. In 1981, a 25% increase in fares was adopted with a resultant loss of 20,000 riders. In 1982, there was an 18% increase in fares with a loss of approximately 12,000 riders. It is anticipated that there will be a 7 and 10% increase this year.

- Concurrent with these fare increases has been a decrease in federal operating assistance. In 1982, the federal operating subsidy was $54.7 million. In FY 1983, it was $44.3 million. The Office of Management and Budget projection for the coming fiscal year is $13.5 million. In Fiscal 79, only five years ago, the federal operating assistance represented 19% of the total operating budget for NJ TRANSIT. In the projected budget, federal subsidy will represent only 10%.

- Conversely, the state appropriation has been on the increase. Governor Kean has recommended operating assistance of $149 million this year. Last year it was $124 million and in the previous fiscal year it was $105 million.

- Federal capital assistance funds combined with $150 million in state bonds and $120 million in TRANSPAC funds has enabled NJ TRANSIT to undertake a program to modernize its fleet of buses and rail cars with the objective of reducing long-term operating costs. The agency has replaced all the equipment on the Raritan Valley Line which serves 13,000 riders daily; replaced locomotives and cars on the North Jersey Coast

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Line which serves 29,000 riders; rehabilitated 41 railroad stations; replaced bus garage and maintenance facilities; replaced many of the old buses.

- The loss of $30 million in operating funds will mean an estimated $25 million increase in fares on both the bus and rail systems. Based on that increase it is projected that the lines will lose approximately 10% of the total ridership.

- The loss of $30 million operating subsidy will force more people back into private automobiles. There will be a heavier demand on an already overtaxed highway system and there will be a further drain on the nation's energy supply. It will also add to the pollution in a heavily-industrialized state.

Good Morning.

My name is John Sheridan and I'm Commissioner of Transportation for the state of New Jersey and Chairman of the Board of NJ TRANSIT. I'm also here this morning as a representative of the Coalition of Northeast Governors, at the request of Governor Thomas H. Kean, Chairman of the Coalition.

My perspective is not as a transit advocate alone but as the person responsible for an overall transportation system in New Jersey. New Jersey has more traffic per lane mile of road than any other state in the nation--more than four times the national average. Plain and simply, our state depends on an effective public transportation system. Not only does that system benefit the users of public transit but it benefits all those persons and businesses who are dependent on our highways by substantially reducing traffic. In addition, it benefits all of our citizens and helps to achieve two national goals--namely, it reduces air pollution and conserves energy.

I've come here to urge you to maintain the same level of support which the Congress committed to in the Surface Transportation Assistance Act of 1982.

Governor Kean and I strongly supported the Surface Transportation Assistance Act in large measure because transit operating subsidies were to be stabilized over the four-year period of the Act at the $44.3 million level. Other northeastern states supported the Act for similar reasons.

To help you understand our problem, let me take a minute to tell you a little about New Jersey's public transportation system.

NJ TRANSIT operates both a bus system and a commuter rail service which was created by state law in 1979. We operate with 2,652 buses including 447 which are leased at a minimal cost to private carriers. We own 490 miles of track, 111 locomotives, 1,100 passenger rail cars and 142 railroad stations.

We carry 70,000 rail passengers daily and have just come through a severe five-week strike. We serve 224,000 daily passengers on NJ TRANSIT buses and 13 carriers now under contract to the agency. That represents 80 percent of all the bus passenger service in the entire state.

In Fiscal 1983 our total operating budget was $416 million. And keep in mind that these figures cover the cost of providing 134 million annual bus trips and 35 million annual commuter rail trips.

Operating a system of this size while trying to upgrade the antiquated equipment which we inherited sorely tests the administrative talents of the board of directors and the executive staff.

Mass transportation is vital to New Jersey's economic well-being. In congested, heavily-industrialized states like New York, Pennsylvania, Massachusetts, Connecticut and other northeastern states, it is absolutely essential to the states' economy that people have a convenient, comfortable, and affordable means of transportation. People must be able to move, not only in their own states but throughout the region, to reach their jobs and to reach shopping areas and to enjoy recreational sites.

Congress recently indicated its understanding of the need for jobs

and a well-balanced economy. In point of fact, part of the reasoning for the Surface Transportation Assistance Act was to provide jobs to stimulate the nation's economy. It would be tragic indeed to lose these jobs for the want of a good public transportation network.

From a purely economic standpoint, public transportation is vital to the New Jersey economy because our road system simply could not effectively move people or deliver the goods our society requires if there were no public transportation system. Without a public bus and rail network our state would become a "parking lot" in many areas.

We are very conscious of the need to economize in government in New Jersey. It has been a principal theme of Governor Kean's administration that we should strive to provide efficient, cost-effective service to the people. For example, at NJ TRANSIT we have been negotiating with labor unions since late last summer in conjunction with the takeover of the commuter rail system from Conrail. We have endured a five-week strike because we are fully aware that a commuter rail line cannot operate in today's economic climate with featherbedding and archaic work rules that have historically plagued rail passenger service.

We have managed to effect millions of dollars in savings as a result of these negotiations because we will no longer be paying salaries to engineers, conductors and trainmen who are sitting idle. In short, we're going to get more productivity for our dollars.

In conjunction with a group of "loaned" private business executives, we also conducted an intensive analysis of the administrative and bus operations at NJ TRANSIT under the aegis of Governor Thomas Kean's Management Improvement Plan. We have already reorganized the bus operations in a way that will save $2 million and will result in the elimination of at least 30 positions. And we expect substantial savings will result from the effect of a task force of industry experts and NJ TRANSIT personnel who are presently reviewing the bus maintenance system in detail. We plan to conduct a similar review of the rail program later this year.

We have achieved other major savings at NJ TRANSIT in an effort to keep fares at an acceptable level for the travelling public. For example, we have been able to obtain an annual $4.4 million savings through bus route restructuring. We realized a one-time saving of $8.5 million as part of a labor agreement to defer wage increases for Conrail employees from April 1, 1981 to June 30, 1982.

Nor are these isolated instances. We have combined bus and rail telephone centers, reduced our headquarters costs, and cut our mileage costs for a combined annual savings in excess of $2 million. By consolidating insurance programs, combining bus and rail ticket selling operations and instituting new reduced fare regulations we have realized another $2 million in savings.

Despite these savings, we are unable to operate a viable bus and rail system without operating assistance from the state and federal governments. Commuters on NJ TRANSIT bus and rail systems have gone through three fare increases in the past two years. In 1981 we were forced to adopt a 25 percent increase in fares. Then last year we added another 18 percent (plus an emergency $19 million state appropriation to keep the system from going bankrupt). This year we are looking at an increase somewhere between 7 and 10 percent.

Fare increases of this magnitude have driven the fare box recovery rate in New Jersey to the second highest level in the nation. They have also caused a drop in ridership. The 1981 increase caused us to lose 20,000 riders and last year's increase caused a 12,000-passenger drop in ridership.

Ironically, these operational cost savings and the increases in fares come at a time when the federal government has been cutting back on its operating assistance program.

In 1979, only five years ago, the federal government contributed $58.3 million to help underwrite operating costs at NJ TRANSIT. That represented more than 19 percent of the total operating budget. In 1981

the federal operating subsidy program had dropped to $54.7 million and then last year it went to $44.3 million.

In the budget proposed this year by the Office of Management and Budget. only $13.5 million is earmarked for NJ TRANSIT. That represents only 3 percent of our total operating costs. Contrast that with 1979!

Nor is NJ TRANSIT the only transit agency to feel the sting of this cutback. In New York, MTA will receive $94 million less this year than a year ago; Massachusetts Transit in Boston will receive $18 million less; SEPTA in Philadelphia will get $3 million less. The same is true in Chicago, Baltimore and Wilmington and in other cities around the country.

Should the OMB proposed reduction be enacted, New Jersey public transit users would have to bear the burden of a minimum 25 percent fare increase, in addition to the 7 to 10 percent fare increase already projected. Such a fare increase, if necessary, would result in a loss of ridership of up to 10 percent.

It would be tragic if riders were to abandon public transportation at a time of improved performance resulting from federal and local capital investments. And this ridership loss could happen not from dissatisfaction with service but rather because the cost of riding the system has become unaffordable.

The state government, I should add, has contributed $105 million in 1982 and $124 million in 1983. Governor Kean, who recognizes the necessity of maintaining a high quality transit system, has recommended a state contribution of $149 million this year.

I don't mean to deliberately paint a bleak picture because there are some very encouraging signs in the mass transit picture in New Jersey. The turning point came in 1979 with the creation of NJ TRANSIT and the subsequent infusion of $150 million in transportation bond issue funds and $120 million in Port Authority of New York and New Jersey funds.

Those funds combined with some federal funds enabled the transit agency to embark on an ambitious program to modernize its fleet of buses

and rail cars with the primary objective of reducing long-term operating costs.

Governor Kean and I are very pleased with last year's Surface Transportation Assistance Act, particularly the provision related to capital improvements and we applaud the Reagan administration and Congress for these provisions in the bill.

Full funding for the capital portion of the Section 9 Block grant, approximately $1.88 billion, would permit New Jersey and other states to proceed with this type of program in a timely manner. If fully funded, New Jersey would be able to proceed with approximately $135 million in capital projects which would increase the efficiency of public transportation, and, just as importantly, contribute to a reduction in operating costs. The Block Grant Program is the single most important source of capital assistance. Block Grant funds, since they are apportioned by formula, enable NJ TRANSIT to plan a capital program which would meet the state's most pressing public transportation needs. Any major reduction in these capital funds would severely disrupt the well-developed plan to use block grant funds to meet these pressing needs. Reduction in block grant funding would cause the state to delay projects it can least afford to delay.

The Section 3 Capital Discretionary program is an equally important source of federal capital assistance. Whereas the block grant provides funds for routine but necessary capital improvements, the Section 3 program provides funds for major and extraordinary capital projects which are too expensive to fund from the block grant.

In Fiscal Year 1984, New Jersey will seek Section 3 funds to continue projects, such as the reelectrification of one major rail line which serves 27,000 daily riders, and the extension of electrification of another rail line which serves 29,000 daily riders. These two projects, when complete, will allow New Jersey to provide reliable and efficient commuter rail service at a cost which is lower than current expenditures.

Major reductions in this program would delay these projects since the state would not have the resources, either federal or state, to substitute for the reduction in Section 3 funds.

The importance of federal capital assistance in the past can be witnessed by the tremendous strides which have been achieved in modernizing the commuter railroad system and bus fleet which experienced years of neglect under private ownership.

To date we have replaced all the equipment on the Raritan Valley Line, which serves 13,000 riders daily, and have replaced many of the cars and locomotives on the North Jersey Coast Line which serves 29,000 riders. We have rehabilitated 41 railroad stations and replaced bus garage and maintenance facilities. We have replaced many of the old buses and it is our hope to cut the average age of the fleet to seven years. Average age of the buses under private ownership was 13 years.

The most interesting aspect of this modernization program is that it shows strong signs of working. The average daily ridership on the Raritan Valley railroad showed an increase this year prior to the March strike. It indicates to us that if we can deliver on-time service in well-maintained, comfortable cars at an affordable price, we can make a success of mass transit in New Jersey.

And there is another reason for keeping this system and others like it operating. Without a mass transit system, more and more people will be forced back into automobiles in order to reach their offices, their stores, their factories, their industrial plants. That will place an even greater burden on our energy resources and our highways. It will add to our pollution problems.

Perhaps the most important reason for maintaining a healthy transit system is to enable the nation, and particularly the northeastern states, to continue to conserve energy. Although gasoline prices have stabilized in recent months and there has been less talk about dwindling oil supplies, it is still a major concern and can easily have a crippling impact on our economy.

In 1981 we travelled 1.55 trillion miles in this country. In New Jersey alone we travelled 51 billion vehicular miles at a cost of 26.6 cents per mile in a standard size car. It is not inaccurate to say that it is more energy-efficient to move people in diesel trains than in commuter automobiles.

These are not problems which are easy to solve and they are not problems that any of us in government at any level, be it Congress or state government, want to assume. Providing a good sound transit system is one means of avoiding these problems.

We feel in New Jersey that we're on the verge of a break-through in mass transit and that's why it's important that the Congress keep intact the $44.3 million grant for operation of the system. We firmly believe that, if we can hold the fare increase this year to a minimum, we can turn the picture around. Conversely, if we have to find another $30 million at the fare box, it is certain to drive even more commuters away from mass transit. That's something we can ill-afford at this time because, as I indicated earlier, our state's economy depends on an effective public transportation system. We must avoid, at all costs, adding to the problems of an already overburdened highway system.

As President Reagan stated on the occasion of the signing of the Surface Transportation Assistance Act, the legislation will "insure for our children a special part of their heritages -- a network of highways and mass transit that has enabled our commerce to thrive, our country to grow and our people to roam freely and easily ..."

It's imperative, in short, that Congress continue to fund mass transit at the same level it did in 1983 and I urge you in the strongest possible terms to do so.

MISSISSIPPI DEPARTMENT OF ENERGY AND TRANSPORTATION

STATEMENT OF CHARLES DEATON, GOVERNOR'S OFFICE

Senator ANDREWS. We will next hear from Charles Deaton.

Senator Stennis was here and asked me to express his regrets that he had to leave. He wants to make sure you are welcome.

Your statement will be included in full in the record.

Mr. DEATON. I appreciate your job. I will try to shorten my statement with one point.

In a rural State such as the State of Mississippi the program has been very instrumental; in fact, we have created 34,000 jobs that have been saved in the last 3 years because of the use of money along with State, local, and shipper contributions to this program.

Railroads have been very instrumental in States like Iowa, the Dakotas, and Mississippi, in moving rural goods to the market. This program has been instrumental in preserving jobs and keeping the economy going.

Since you are going to include the statement in the record and I recognize your time constraints, I will simply conclude my remarks.

Senator ANDREWS. Thank you very much for your cooperation.

Having served with Representative Whitten for a good long time and with Senator Cochran and Senator Stennis, we have a close kinship with Mississippi. As a matter of fact, Barnie Poole was a roommate at one time.

[The statement of Mr. Deaton follows:]

Statement of Charles Deaton

Mississippi's economic life is dependent upon a viable rail system. The history of the development of the State of Mississippi's agriculture and industry parallels the development of the rail system in Mississippi. The railroads got us out of the mud and on to a transportation system that could move people and goods to and from the market places.

Mississippi is not unique; railroads assisted in the development of this nation and provided east to west and north to south connecting links. The value of this system was clearly demonstrated during World War II and more recently during the energy crisis. The railroads proved themselves an energy efficient way to move products in a timely manner.

Mississippi is more dependent on rail than most states. We have three ports on the Mississippi River, four on the Gulf of Mexico, and one on the Tombigbee Waterway, all dependent on rail service.

Our highway system has one north-south interstate (I-55) highway; two east-west interstates, one at the extreme (I-10) southern end of the state and one through the central (I-20) portion of the state; and one that cuts diagonally across the southern portion of the state (I-59). This interstate system does not adequately serve the needs of Mississippi. We continue to need our existing rail system.

Mississippi consistently trails the nation in almost every economic category. It is predicted that during this current economic crunch, the recovery of the state's lumber, wood products, chemical, pulp and paper products, industries, and our agriculture will take longer than the rest of the nation.

Mississippi faces very serious problems regarding its transportation system. Rail abandonments are having a serious impact on business and industry throughout the state and will continue to adversely affect Mississippi's industrial development potential and economic future.

When rails disappear, competitive transportation modes increase the cost of moving our commodities and have a negative financial impact on our state's ability to be competitive in the market place.

From a peak of 3,500 rail miles, we now have 2,900 miles. When trackage is abandoned, we abandon not only the rails but, bringing the problem closer to home, we abandon industry, farmers, counties, towns, people - we cause displacement of people and industry and cause additions to the welfare roles.

We realize that railroads are commercial enterprises, just like the shippers they serve, and that today's competitive transportation market will not support all the miles of trackage in the manner in which they are operated.

We feel the federal and state governments contributed to the cause of our existing rail problems through over regulation which resulted in restrictive rates and mergers, and that we must all contribute to the solution of the problems. Just as the funding of Conrail made an enormous contribution to the vitality of the northeast, the Federal Railroad Administration's continued funding of the Local Rail Assistance Program can contribute to the vitality of Mississippi and other states.

The State of Mississippi has recognized that financial assistance, in addition to that of the federal government, is needed if we are to have a deliverable rail system.

We are not suggesting the Federal Railroad Administration bear the major burden of revitalizing our rail system as has been done with highways, waterways, and aviation. We view it as a partnership between the federal government, the State of Mississippi, shippers, and the railroads.

As previously mentioned, Mississippi has a 2,900 mile rail system (Attachment 1). Our problem is that only 1,200 miles carry five million gross ton miles per mile per year, or more (Attachment 2). This represents 41.4% of the total rail miles in Mississippi. A large portion of the remaining 1,700 miles (Attachment 3) is in a very poor condition (Attachment 4) due to deferred maintenance (Attachments 5 and 6), which results in a slower train operation in order to operate safely, and further results in lack of profit opportunities for the carrier.

We understand the economics of railroading and realize that these low-density lines can only make a contribution to the state's economy if they are rehabilitated and operated in a more economical manner.

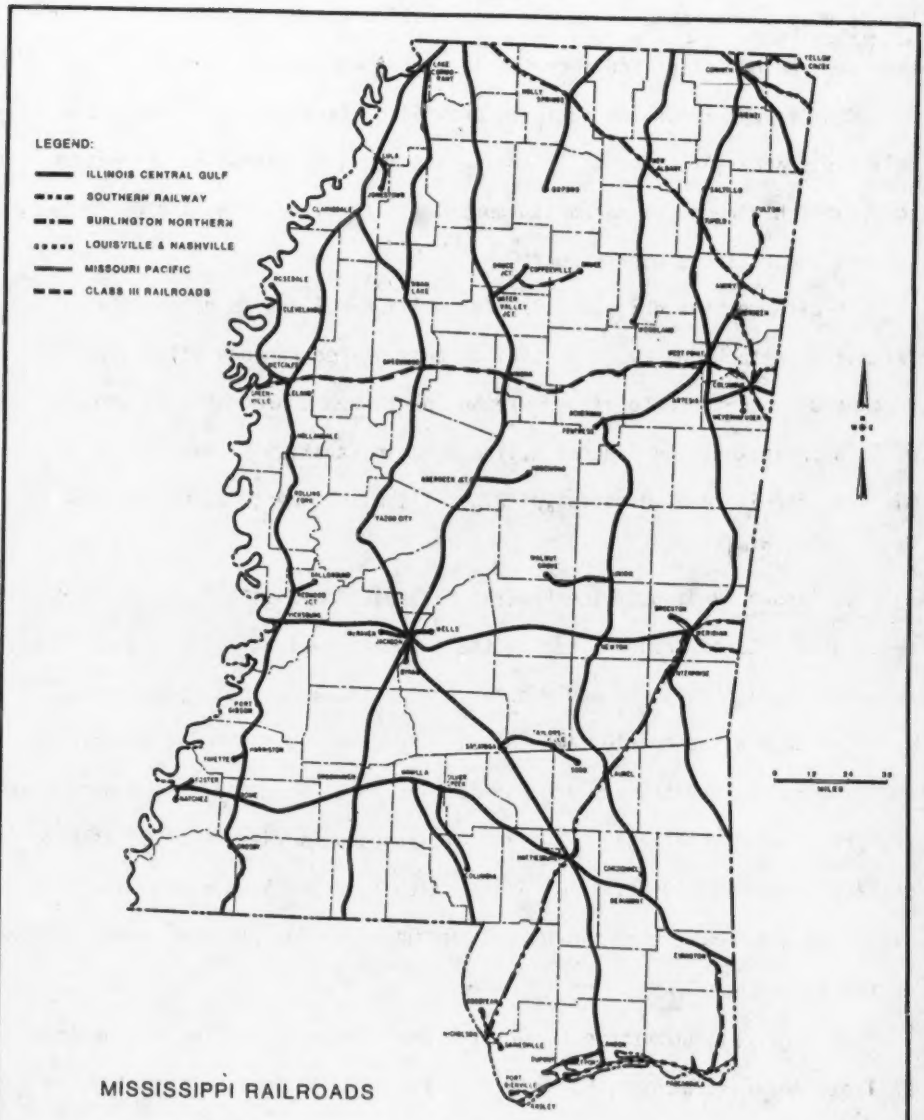
Mississippi leads the south in providing state and local funds for rail assistance (Attachment 7); and we are among the first in the nation to establish a regional mechanism to provide local funding, including tax dollars and railroad-user support.

To date we have obligated 11 plus million dollars to rehabilitate 227 miles (Attachment 8). To continue this shared responsibility, we are recommending continuance of our present partnership program. Of the 11 million obligated, the Federal Railroad Administration's share was 4.8 million, the State of Mississippi 2.5 million, shippers 2.6 million, and railroads 1.2 million.

Continued funding of the Federal Railroad Administration's Local Rail Service Assistance Program, not at the present level but at a higher level, and the rehabilitation of badly deteriorated trackage, not abandonment, is vital to Mississippi (Attachment 9). By deleting the Federal Railroad Administration funding, you are not talking about balancing the budget - you are talking about abandoning and closing down a vital part of the state's transportation system. A system that helped Mississippi and this nation to grow and prosper and will continue to make the same contribution in the future.

We urge this Committee to support the continued funding of the Federal Railroad Administration's Local Rail Assistance Program to assist us in maintaining Mississippi's rail system in good working condition.

ATTACHMENT 1



MISSISSIPPI RAILROADS

FIGURE 1

Attachment 2

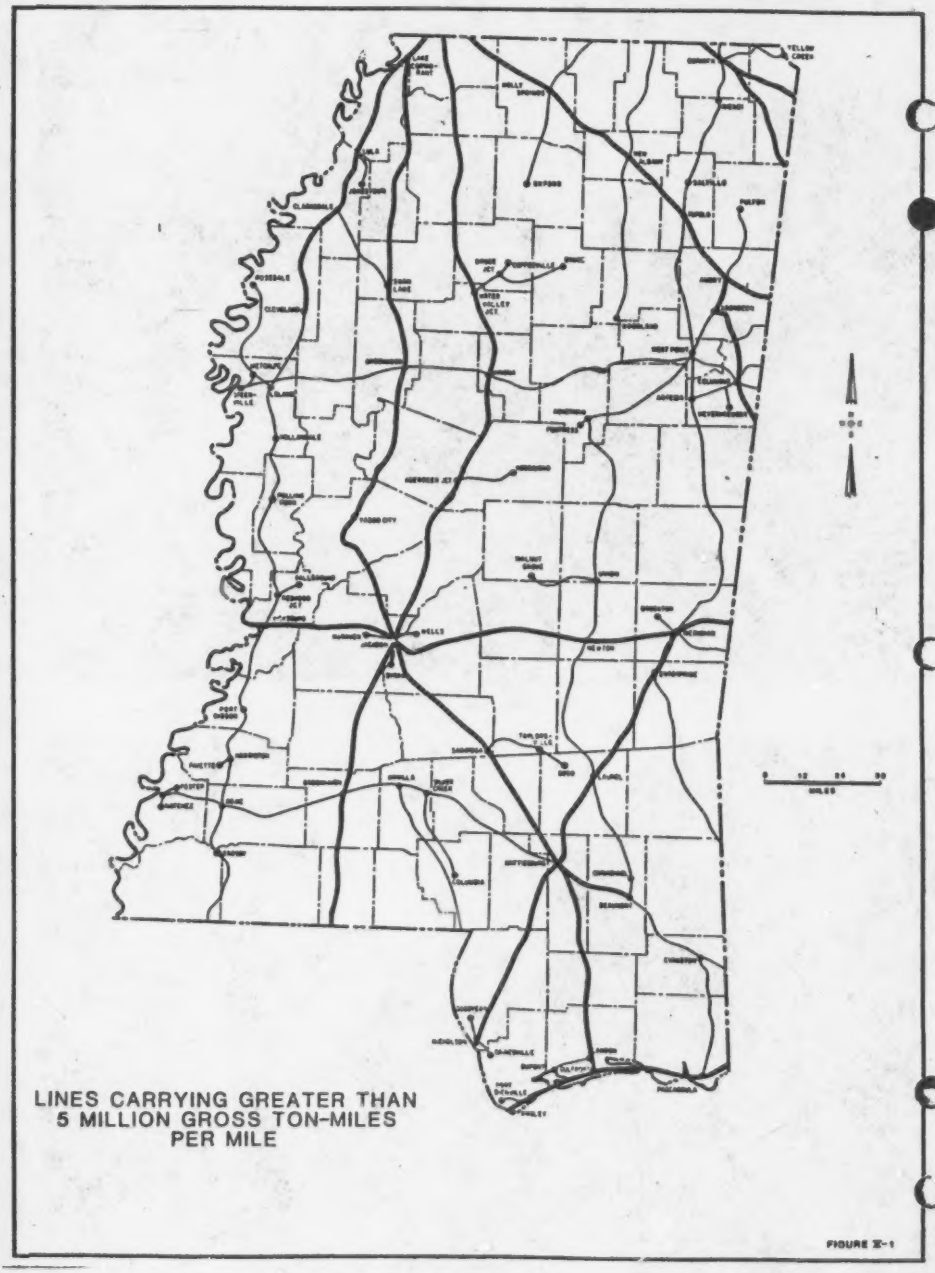
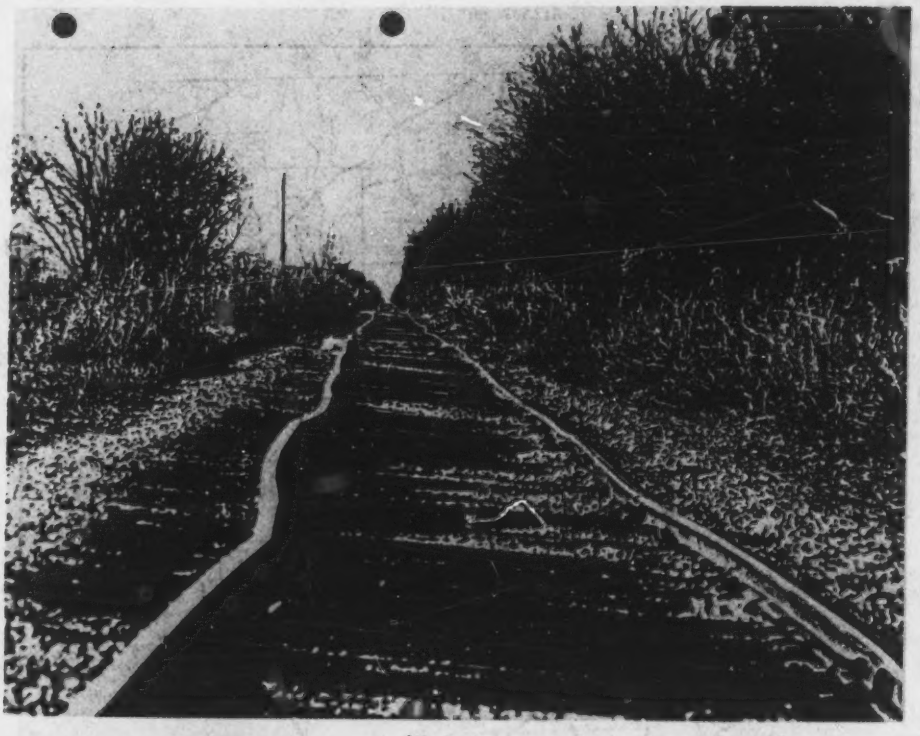


FIGURE X-1



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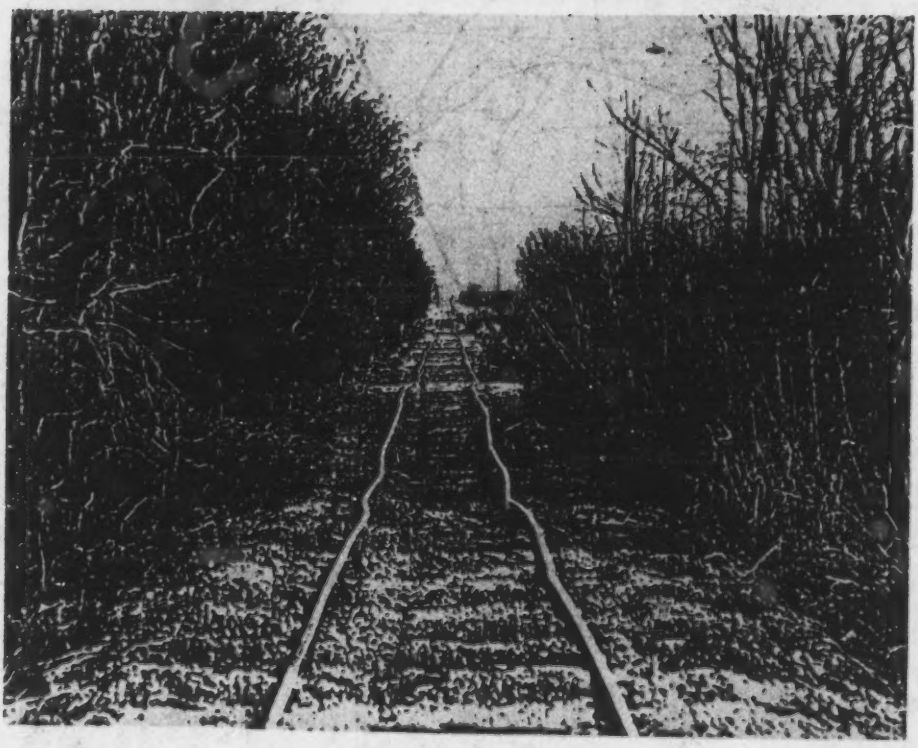
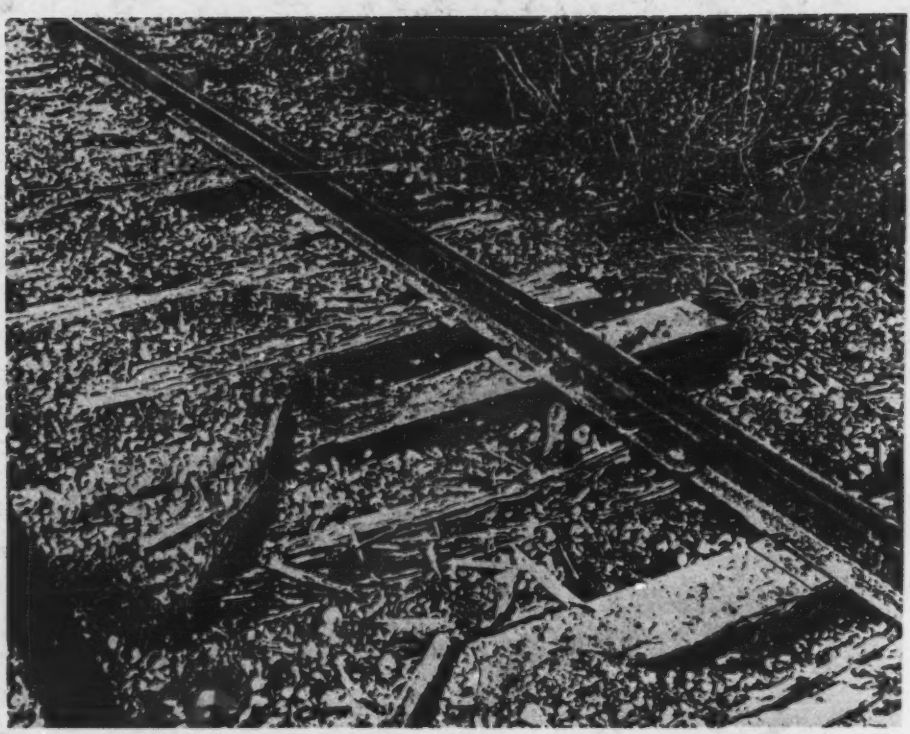
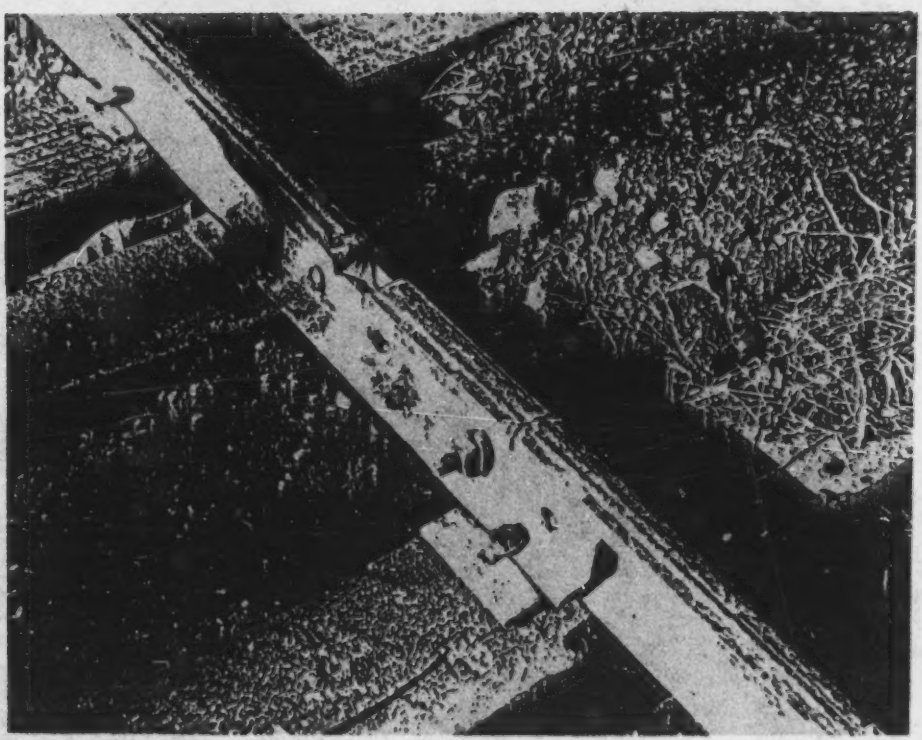


Attachment 4



Attachment 5



Attachment 6

Attachment 7

FUNDING STATE

RAILROAD REVITALIZATION FUND

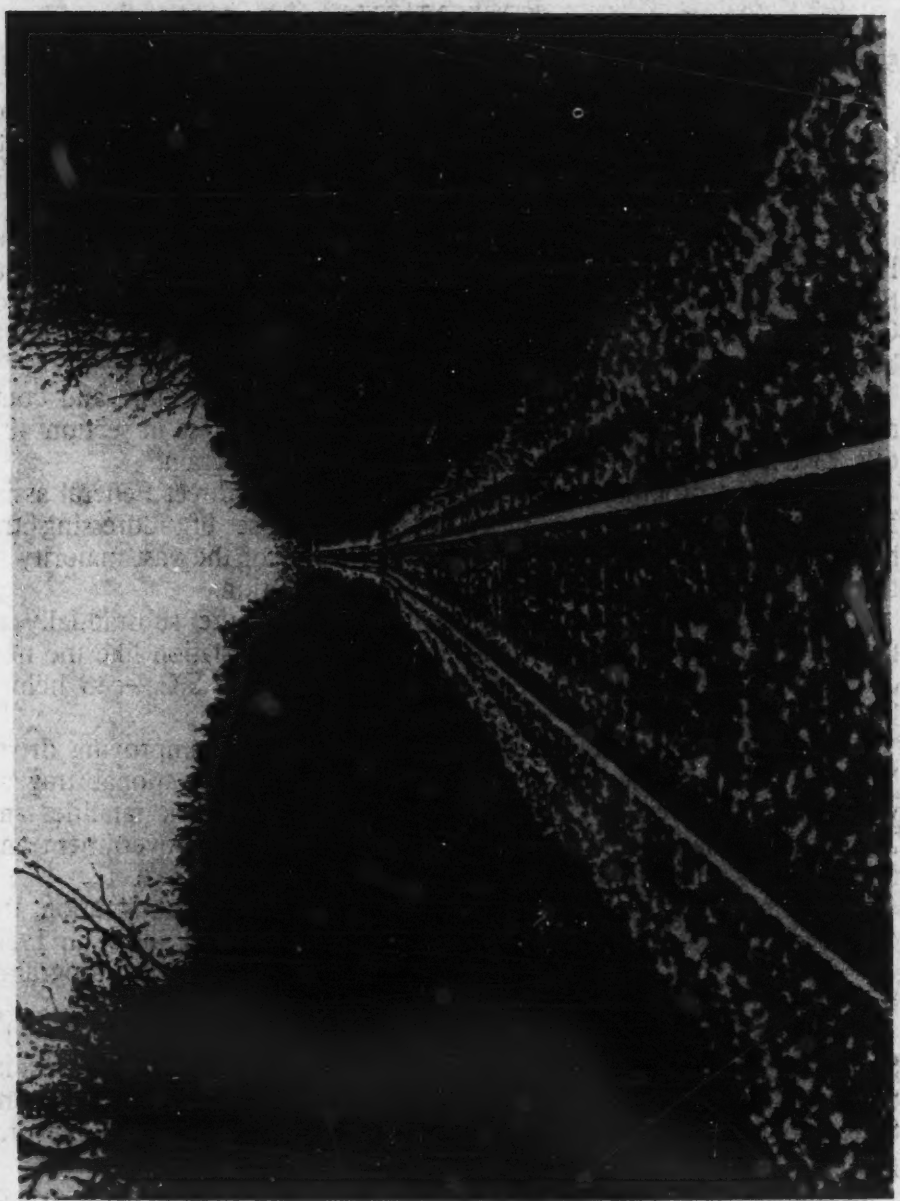
$2,000,000	*Grant*
$5,000,000	*Interest free loan*
$7,000,000	*TOTAL*

Attachment 8

MILES REHABILITATED *227 MILES*

DOLLARS OBLIGATED

1.	*FEDERAL $'s*	*$ 4,778,000*
2.	*STATE $'s*	*$ 2,475,000*
3.	*SHIPPER $'s*	*$ 2,641,000*
4.	*RAILROAD $'s*	*$ 1,192,000*
	TOTAL $'s	*$11,086,000*



Attachment 9

NATIONAL ASSOCIATION OF GOVERNORS' HIGHWAY SAFETY REPRESENTATIVES

STATEMENT OF PHILIP W. HASELTINE, CHAIRMAN

Senator ANDREWS. We will next hear form Philip Haseltine, chairman of the National Association of Governors' Highway Safety Representatives.

I will have our chief clerk continue the hearing.

Mr. HASELTINE. Mr. Chairman and committee members, I am Philip Haseltine, executive director of the Michigan Office of Highway Safety Planning. I also serve as chairman of the National Association of Governors' Highway Safety Representatives (NAGHSR) and come before you today representing that Association.

I am here to ask for your continued support of the State and community highway safety program, created by the Congress in section 402, title 23 U.S.C.—commonly referred to as the 402 program.

This modest program represents the only form of direct Federal assistance to States and communities for the purpose of addressing the human factor issues which are the primary cause of the vast majority of fatal and personal injury traffic crashes in this Nation.

Roadway and vehicle improvements do contribute substantially to fatality and injury reductions, and limited scope legislation like the new drunk driving incentive law—section 408, title 23, U.S.C.—can help a limited number of qualitifying States.

But, comprehensive long-ranged approaches toward improving driver behavior are still the key to doing away with this national tragedy which took the lives of 45,000 Americans last year. Traffic fatalities and injuries are a national tragedy, one which the Federal Government and the Congress must continue to address.

According to the National Highway Traffic Safety Administration, the direct cost of traffic crashes to the Federal Government, alone in 1980, was $7.5 billion in appropriations for public assistance programs, Federal worker-related costs and revenue losses.

While actual highway safety improvements can best be effected at the State and local levels, Federal participation is clearly warranted. Despite the fact that section 402 funding constitutes a small portion of any State's total highway safety expenditures. it represents a very large proportion of available discretionary funding for program improvements.

In many financially strapped States, such as my home State of Michigan, 402 funding affords the only opportunity to implement expanded programs designed to get the drunk driver off our roads and those aimed at increasing the use of child safety seats.

The 402 program is a true Federal assistance success story. In Michigan, for example, traffic fatalities declined 11 percent in 1982 over 1981. There are those who would attribute such reductions to the economy. Let me point out, however, that 1982 was the 4th consecutive year of decreased fatalities in our State, and the 8th year of reductions in the last 10 years.

As bad as the economy is in Michigan, this recession hasn't lasted 10 years. The real reason for Michigan's good traffic safety record is our comprehensive approach toward solving traffic safety problems, most frequently with the assistance of 402 funding.

The Omnibus Reconciliation Act of 1981 authorized $100 million for the NHTSA-administered portion of the 402 program and $10 million for the FHWA-administered portion of the 402 program each year through fiscal year 1984.

The FHWA-administered portion of the program provides needed traffic engineering services, primarily to local government. We respectfully request that you continue to provide the fully authorized $10 million for this small, but critical component of the comprehensive highway safety program.

Obligation limitations during the past 2 fiscal years have left available $12.5 million in unobligated authorizations for the larger, NHTSA-administered portion of the program. These funds, already authorized by the Congress and the President, are sorely needed by the States for additional highway safety program improvements.

Michigan's share of this $12.5 million, for example, would be slightly less than $500,000—about the cost of implementing a drunk driving countermeasure project in one of the counties in Detroit metropolitan area. Assistance for these types of programs is needed throughout the entire country.

We, therefore, are requesting for the NHTSA-administered portion of the section 402 State and community highway safety program—an obligational limitation of $112.5 million for fiscal year 1984. This includes the fully authorized level in addition to available authorizations from the 2 prior years.

We believe these funding levels—out of the Highway Trust Fund—to be both reasonable and moderate. We are also confident that this investment will be paid back many times over.

Thank you for the opportunity to appear before you and share our views with you.

Mr. HARDIN [presiding]. Thank you very much for your statement.

I call Donald Friedman, president, MCR Technology, Inc.

MCR TECHNOLOGY, INC.

STATEMENT OF DONALD FRIEDMAN, PRESIDENT

Mr. FRIEDMAN. Thank you for the opportunity to be here.

Since my testimony will be included in the record, I would like to summarize by making clear that I think there is an unparalleled opportunity at NHTSA at this point in time to effect two things:

One, the direction which is being applied in terms of traffic safety, particularly safety research and development, and

Second, an opportunity to reconsider the appropriation cuts which have been submitted in the development area in the past 2 years.

There is an opportunity to appoint a new administrator and it seems to me that it would be important for this committee to make a strong

recommendation for an aggressive administrator whose interest is not only in carrying out the objectives of the Administration, but the legislative mandate of the Congress which is to reduce the fatalities and injuries on our highways.

It has been my observation that in the past 2 years NHTSA has been in a holding pattern while the controversy between the safety advocate and the courts and the Congress continues and presumably gets resolved.

I think that as good soldiers the staff of NHTSA, the technical staff and its contractor base, have tried to come up with new ways of improving auto safety that are still consistent with the Administration and with the reduced level of funding.

I believe the collision avoidance technique referred to in my testimony is a very effective way of not changing the automobile significantly, but improving its ability to operate under the control of the driver in a safer fashion and will have a substantial effect on the injuries and fatalities.

Another point in my testimony deals also with the Urban Mass Transportation Administration which seems at the moment to have reduced its emphasis on research and development, favoring instead demonstration programs or programs that take into account past research and development.

Even there, there is difficulty in moving already authorized programs by Congress through to actual practice and it would seem important for this committee in its deliberations in conjunction with transportation to be clear that the limited funding needs to be applied aggressively and I would hope that that opportunity to encourage the research is provided to UMTA.

Thank you.

Mr. HARDIN. Thank you very much.

[The statement of Mr. Friedman follows:]

STATEMENT OF DONALD FRIEDMAN

In Summary, I ask you to consider whether sufficient resources and direction have been provided to insure that NHTSA accomplish its Legislative directive, and to insist that UMTA streamline its administrative decisionmaking to accomodate the needs of its transit properties and their innovative small business contractors.

* * * *

Since I addressed this committee in May of 1982, 10 to 20 thousand people have died in traffic accidents some of which might have been avoided and at least another million people could have sustained less severe injuries then they did, if the National Highway Traffic Safety Administration (NHTSA) had more resources and authority, or were directed to, or chose to use and exercise what they do have, differently.

Specifically, in my opinion, NHTSA's R and D and Rulemaking staffs are in an analytical holding pattern while awaiting the outcome of the battles being fought in the Courts and in Congress, by safety advocates over the Administration's de-emphasis of Passive Restraints, Crashworthiness and Regulatory Rulemaking. NHTSA's Administrator has provided primary leadership only in a direction for which there is no significant Research and Development role (i.e. voluntary seat belt usage and discouragement of drunk driving).

The staff has been appropriately slow to divert their inadequate resources in these circumstances to pursue analytically derived new alternative courses, however promising, until the management determines that it is clearly acceptable to the Administration, the industry and the Congress. But as I have testified to the House Committee on Science and Technology (Ref 1, Nov 1982) and to the Senate Committee on Commerce, Science and Transportation (Ref 2, March 1983) there are now two even more important new directions for Research and Development than the controversial countermeasures currently in debate. These are:

UNRESTRAINED OCCUPANT PROTECTION and COLLISION AVOIDANCE AND MITIGATION

The near term, potential reduction in fatalities and injuries from the countermeasures to be derived from these approaches coupled with their use of in-place vehicular equipment; modest material and component placement substitutions; and their consistency with Auto industry, Administration and Congressional goals, make their development and implementation a matter of urgent priority.

* * * *

On another Department of Transportation front, the Urban Mass Transportation Administration (UMTA) is having its own difficulties even in deciding to fund continuing Research and Development programs.

Eight years ago UMTA had a competition on which it spent $3 million to develop ParaTransit Vehicle prototypes. These didn't work out so 5 years ago there was another competition in which two companies, of which we were one, spent $2,600,000 to develop prototypes acceptable to the taxi and transit operators and to handicapped passengers. A follow on $1.4 million demonstration request for proposal (RFP) was authorized and has been in the works for the past two years and was recently issued. Unfortunately the contract is being competed and will be awarded with production like terms and conditions, although using R and D money, and contains other provisions which may make it unbiddable by either company who developed designs.

For instance it requires bid and performance bonds, which banks, bondsmen and other lenders are reluctant to provide to small businesses even at exorbitant fees unless the company can collatoralize the bond with unencumbered assets. Furthermore, the 10% bid bond would be forfeited if we can't get a 50% performance bond, and the amount of each may have to be based on a number of units far in excess of what we are likely to be awarded.

It also appears that thus far in Fiscal 1983 no R and D Title 6 funds have been distributed even for continuing legislatively mandated line item programs. As a

small business and a participant in the Santa Barbara Electric Bus innovative demonstration project, the delays in funding between phases is particularly debilitating, resulting in loss of staff, revenues, and momentum.

This project extends the technology developed in delivering 19 environmentally acceptable, fast loading, low floor buses for the Denver Regional Transportation District's Transitway Mall. Six of these buses are battery-electric powered with 4 hour continuous duty range. A Denver follow-on request to extend the range of the buses to all day use is also awaiting funding action at UMTA.

* * * *

Reference 1: November 30th 1982, Testimony of Donald Friedman, President, MCR Technology, Inc. before the Subcommittee on Transportation, Aviation and Materials, and the Subcommittee on Investigations and Oversight of the Committee on Science and Technology, U.S. House of Representatives.

Reference 2: March 10th 1983, Testimony of Donald Friedman, President, MCR Technology, Inc. before the Subcommittee on Surface Transportation of the Senate Committee on Commerce, Science and Transportation, U.S. Senate.

COLORADO DEPARTMENT OF HIGHWAYS

STATEMENT OF LARRY G. KARSTEN, DEPUTY DIRECTOR, COLORADO DIVISION OF HIGHWAY SAFETY

Mr. HARDIN. We next have Mr. Larry Karsten, State of Colorado Department of Highways.

We regret that earlier witnesses ran a little overtime and Chairman Andrews had to leave for another commitment.

Please feel free to summarize any way you wish. Your statement will be included in full in the record.

Mr. KARSTEN. Thank you. Good morning.

My name is Larry Karsten, deputy director of the Colorado Division of Highway Safety. We are one of the five statutory divisions in the Department of Highways.

My purpose in appearing this morning is to ask your support for the section 402 State and community program. This program has been administered by our agency since passage of the 1966 Highway Safety Act.

Since the effective date of the Highway Safety Act, we have invested over $20 million of 402 funds at the State and local level of governments to develop and implement various traffic safety programs.

With the combined use of section 402, State and local funds, Colorado has managed to reduce the State's death rate from 5.91 per 100 million-vehicle miles traveled in 1966 to 2.8 in 1982. This reduction of the death rate means that we have saved over 4,000 lives and prevented over 85,000 injuries in Colorado. These reductions alone translate to economic benefits to Colorado of over $1.2 billion.

The passage of the act provided emphasis and direction and leadership that was needed to make any significant progress in this area.

I will skip some of my other testimony in the interest of time since it is included as part of the record.

In closing, some of the questions that we have as administrators and managers of these transportation safety systems is the measurement of effectiveness of what we are doing.

We can see the reduction in the death rate. We can see greater awareness of enforcement agencies and the general public about the issues surrounding transportation safety. We can see the dollars being saved in our hospitals and rehabilitation centers from fewer people being admitted because of traffic crashes.

Even though many of us are proud of what we have done, we still think there is more that needs to be accomplished. We need to do more in the area of drinking and driving. We need to continue the training programs for law enforcement agencies because of the high turnover rate and the burnout for various types of enforcement activities.

We need to continue to train managers as to how to use the information, how to deploy manpower and effectively utilize the resources they have available in dealing with the problem of traffic crashes within their community.

There is a great need to continue to train and educate local traffic engineers on how to identify and correct roadway deficiencies. This area is vitally important because of the high number of tort liability claims that are currently being filed across the country.

In the past couple of years, the State and community section 402 program has been reduced considerably by the current administration. It has only been through efforts of the Congress that has kept the program at a minimum level.

We do not feel this minimum level is adequate to effectively do the job that is being asked not only by the Federal legislation, but also by those roadway users in our States that contribute heavily via the Federal gasoline tax.

Since the cutback at the Federal level, we have seen an erosion in our transportation safety system.

I think some of the foregoing illustrations indicate the States have and can use the money appropriated to them in an effective manner.

I would ask that this committee appropriate the fullest amount possible for the section 402 program which I understand is $112.5 million. This action is important not only for effectivenss of the program, but our traveling public deserves and expects a safe transportation system.

Mr. HARDIN. Thank you very much for your statement.

[The statement of Mr. Karsten follows:]

STATEMENT OF LARRY G. KARSTEN

Good morning, my name is Larry G. Karsten. I am the Deputy Director of the Colorado Division of Highway Safety. Our Division is one of five statutory divisions within the Colorado Department of Highways. My purpose for appearing before this Committee is to talk about the Section 402 State and Community Program. The 402 Program has been administered by our agency since passage of the 1966 Highway Safety Act.

Since the effective date of the Highway Safety Act we have invested over 20 million dollars of 402 funds at the State and local level of governments to develop and implement various traffic safety programs. With the combined use of Section 402, State and local funds, Colorado has managed to reduce the State's death rate from 5.91 per 100 million vehicle miles traveled in 1966 to 2.8 in 1982. This reduction of the death rate means that we have saved over 4,000 lives and prevented over 85,000 injuries in Colorado. These reductions alone translate to economic benefits to Colorado of over $1.2 billion.

Along with the fatality and injury reductions we have had significant improvements in the entire transportation safety system.

House Report 1700 indicated we would be killing over 100,000 per year nationally if we did not act to implement effective traffic safety programs. In Colorado we would have been killing over 1,000 lives per year. Prior to passage of the Highway Safety Act, Colorado had a traffic safety system that had many players but did not have a manager to direct these State and local resources towards a common goal. This Act provided the emphasis and funding that was needed to make any significant progress in this area. The creation of a State Highway Safety Agency provided the players with a manager.

I would now like to tell you how the 402 funds have been used to reduce the numbers and severity of traffic crashes on Colorado's highways. I'd like to start by talking about the roadway programs, those three and a half program standards administered by the Federal Highway Administration. The 402 program enabled us to implement programs that would measure the relative safety of a road as well as identifying roadside obstacles. We also implemented, on a State-wide basis, a rural addressing system. This enabled us to catalog roadway geometrics, traffic crashes and roadway features in such a manner that would allow for a quicker and more comprehensive identification and correction

of a roadway related deficiency that would contribute to or aggravate traffic crashes.

In some of our basic support programs such as driver licensing, motor vehicle registration and inspection files, our records on drivers and vehicles were archaic, lacked uniformity and not accessible in a timely manner. With the use of the 402 funds, we have been able to upgrade the access to our driver history file so that they are now in a computerized and on-line environment providing easy access to the courts, police agencies, public and private agencies.

Through the efforts of a State Traffic Records Advisory Committee, Colorado has been able to deal with the development of an effective and useful traffic records system. Although the system is not fully integrated, it has those operational systems that are essential for problem identification, program monitoring and evaluation. The system also provides the necessary data for impact programs implemented by state and local agencies.

In the area of traffic enforcement, we have developed a computerized accident and citation file. This file is used by law enforcement agencies and local traffic engineers to identify high accident locations and the related causes. This system is also used to determine the effectiveness of programs implemented to reduce or correct the problems identified.

At the State level we have used the 402 funds to deploy an accident prevention team. This team is part of the Colorado State Patrol and moves around the State to those areas whose accident frequency and severity are higher than normal. This team concept has been very effective in reducing the number and severity of accidents in these identified areas. This project received very strong public support. Not only at the State level but also at the local level.

Section 402 and local matching funds have been used to bring emergency medical care to within a 30 minute response time to 90% of all our highways. In addition these monies have established an on-going training program for emergency medical technicians in the local community colleges.

Through the earmarking of the pupil transportation funds, the State of Colorado has revised and upgraded their standards for school bus safety. In addition, a State-wide training program for all school bus drivers has been developed and implemented.

Colorado has been a leader in the area of occupant protection programs.

Through the use of 402 funds, we have provided technical assistance and a limited number of seats to establish over 70 loaner programs throughout the State of Colorado. At the present time, these programs have over 3,000 seats available for low income parents of newborns. We purchased approximately 700 seats to get these programs started, the remainder of the seats were obtained by various means. Service groups such as the Kiwanis, Sertoma Men's Club, many business leaders and businesses have contributed seats to these programs. Colorado is currently considering a mandatory child restraint law that has passed the House and is currently being considered in the Senate.

With the national emphasis on the 55 speed limit, the Division of Highway Safety in cooperation with the Colorado State Patrol and other local law enforcement agencies have joined together in various kinds of projects to educate the public and enforce the 55 mile per hour speed limit. Even though we had established a gradual decline in the death rate prior to the 55 mile per hour, there was a significant drop when the 55 mile per hour speed limit was adopted. We saw the 85th percentile drop from around 70 miles per hour down to 59 miles per hour.

The foregoing only illustrates what we have done to reduce the 50 percent of all crashes and fatalities that are not alcohol related. In dealing with the other 50 percent, the DUI problem, we have been effective in developing and implementing various programs that deal with this issue. Just as the entire transportation safety system is very complex, so is the problem associated with the drinking driver. The list is long and lenghty on our programs to deal with the DUI problem. But the most important aspect is that we have worked with every component of the system that deals with the DUI. Here I am talking about enforcement training, judges' training, development of a prosecutors and a DUI enforcement manual, tracking records related to the DUI through the court system, public information programs, citizen involvement groups, many legislative changes increasing penalties for DUI, including the requirement of community service, the establishment of State programs based on fees assessed a person convicted of a DUI or DWAI that pays for pre-sentence investigation and provides for a city and county enforcement and education program.

Some of the questions that we have as administrators and managers of these transportation safety systems is the measurement of effectiveness of what we

are doing. We can see the reduction in the death rate. We can see greater awareness of enforcement agencies and the general public about the issues surrounding transportation safety. We can see the dollars being saved in our hospitals and rehabilitation centers from fewer people being admitted because of traffic crashes. Even though many of us are proud of what we have done, we still think there is more that needs to be accomplished. We need to do more in the area of drinking and driving. We need to continue the training programs for law enforcement agencies because of the high turnover rate and the burnout for various type of enforcement activities. We need to continue to train managers as to how to use the information, how to deploy manpower and effectively utilize the resources they have available in dealing with the problem of traffic crashes within their community. There is a great need to continue to train and educate local traffic engineers on how to identify and correct roadway deficiencies. This area is vitally important because of the high number of tort liability claims that are currently being filed across the country.

In the past couple of years, the State and Community Section 402 Program has been reduced considerably by the current administration. It has only been through efforts of the Congress that has kept the program at a minimum level. We do not feel this minimum level is adequate to effectively do the job that is being asked not only by the Federal legislation but also by those roadway users in our states that contribute heavily via the Federal gasoline tax. Since the cutback at the Federal level, we have seen an erosion in our transportation safety system. I think some of the foregoing illustrations indicate the states have and can use the money appropriated to them in an effective manner. I would ask that this Committee appropriate the fullest amount possible for the Section 402 Program which I understand is $112.5 million. This action is important not only for effectiveness of the program but our travelling public deserves and expects a safe transportation system.

NONCOMMISSIONED OFFICERS ASSOCIATION

STATEMENT OF SERGEANT MAJOR C. A. "MACK" McKINNEY, U.S. MARINE CORPS [RETIRED], EXECUTIVE DIRECTOR FOR GOVERNMENT AFFAIRS

Mr. HARDIN. Next we will hear from C. A. "Mack" McKinney, U.S. Marine Corps [retired], executive director for government affairs.

Major MCKINNEY. Thank you very much for this opportunity to appear today and to present the views of my association.

My prepared statement has been submitted for the record. I would like to correct one item in that statement. That is on page 3 at the end of the second paragraph, change the last two words from "4 years" to "3 years". It doesn't add up too well otherwise.

Our recommendations are briefly logged on page 1 of our prepared statement, and although this subcommittee may not have full oversight authority on a few of those items, we do solicit the support of this committee.

Our recommendations revolve around people programs. NCOA believes these to be an important or as important as all the others involved, except perhaps operation and maintenance that is in the Coast Guard appropriations.

We say this without tongue in cheek for it is a well-established fact that the latter group that I described is useless without people.

NCOA remains a force on the trends that affect the U.S. Armed Forces including the Coast Guard. A sizeable majority of our members are on active duty today with the various Armed Forces.

It was this association that raised the warning flag in Congress some years ago, long before the military and the Coast Guard came before Congress, and sounded a similar alarm that recruiting and retention programs were in serious trouble.

Again we sound that warning. Recent events in the U.S. Coast Guard give us another warning early enough I think that we should heed. Following an excellent year of increasing retention rates, the Coast Guard's first-term reenlistees in percentages dropped significantly last month.

I think the committee should take a look at that. Hopefully this panel will heed this early warning by adopting positive actions on people programs that will retain our professional skilled and qualified Coast Guard.

Thank you very much for the time.

Mr. HARDIN. Thank you very much for your fine statement.

[The statement of Sergeant Major McKinney follows:]

STATEMENT OF SGT. MAJ. C. A. "MACK" MCKINNEY, USMC [RETIRED]

Mr. Chairman. Based on the comments contained in this statement, the Non Commissioned Officers Association of the USA (NCOA) recommends the adoption of certain proposals or approval of funds for the following programs:

1)- Approve funds or encourage appropriations for increasing the size of the Coast Guard Selected Reserve.

2)- Appropriate funds for a pay increase of not less than 4 percent as authorized in the Omnibus Budget Reconciliation Act of 1982.

3)- Adopt a resolution condemning any further adverse changes to the current military retirement system until the Fifth Quadrennial Report on Military Compensation is received and studied by Congress.

4)- Approve funds for full reimbursement of all reasonable costs incurred by servicemembers on Permanent Changes of Station (PCS) orders.

5)- Appropriate funds for restoration of full Variable Housing Allowances (VHA) that guarantees payments of no less than 115 percent of Basic Allowances for Quarters (BAQ).

6)- Authorize appropriations for a special pay to Coast Guardsmen assigned to independent-type duties or provide 100 percent CHAMPUS coverage for their dependents.

7)- Consider funding appropriations to improve Hazardous Duty Pay for senior Petty Officers, to increase Foreign Duty Pay, and to establish an Unusual Responsibility Pay for Petty Officers assigned to command billets.

Mr. Chairman. I am retired Sergeant Major C. A. "Mack" McKinney USMC, Executive Director for Government Affairs, Non Commissioned Officers Association of the USA (NCOA). My Association represents Noncommissioned

and Petty Officers of the Army, Navy, Marine Corps, Air Force and Coast Guard. Eighty-three percent of the regular membership currently is serving on active duty. The remainder are retired, in the Reserve or National Guard or in a veteran's status.

My Association extends its deepest appreciation for this opportunity to appear before this distinguished panel to brief its members and staff on personnel issues relative to the United States Coast Guard. Principally, this statement urges Congress to consider approving and funding as many "people" programs as fiscally responsible to ensure that the Coast Guard retains qualified and skilled professionals needed to man its present forces.

SELECTED RESERVE

Last year Congress authorized the first increase in the Coast Guard Selected Reserve in more than 10 years. However, the current strength of 12,000 is but 50-to-55 percent of the wartime requirement.

In discussing the issue with members of the Coast Guard, NCOA discovered a deficit of some 4,000 to 6,000 reservists that are required to meet the statutory mission prescribed for that component. With its present strength of 12,000, the Nation must realize that the Coast Guard Reserve may not be fully prepared in the event of mobilization.

If ever the time will be ripe to increase its size, NCOA believes it is now. The economy, plus an ever-growing acceptance of the uniformed services, adequately assures us that the Coast Guard can meet an expanded annual recruiting goal of about 2,000 more reservists over the next three years.

NCOA recommends that Congress approve the necessary funds in FY 1984 to increase the Coast Guard Selected Reserve by at least 1,000 accessions.

ACTIVE PERSONNEL

The active Coast Guard, with only a slight increase in civilian hires, will be able to meet its current missions in FY 1984. That is, if further commitments are not placed on that Service. Additional personnel will be required if new demands for increased operational activities are imposed on the Coast Guard.

On this positive note, NCOA must sound a warning. Congress cannot become complacent by wrapping itself in a blanket of false euphoria. History in itself is a lesson learned and that lesson should remain uppermost in the considerations of both Congress and the Administration. Unless the needs of personnel are given some priority in the FY 1984 budget, a repeat of the mid-to-late 1970s could and may very well occur within the next year or so.

The Coast Guard has done exceptionally well these past 3 years in meeting its recruiting and retention goals. Even with some acute shortages in certain technical fields, its personnel are trained and ready to perform in a highly-efficient manner. Of course, they are disappointed that the President has recommended a pay freeze. But they are most disturbed that the Administration further recommends additional proposals that will adversely impact on the future receipt of retired pay.

It appears that one or the other would suffice particularly in light of the many eroded, inadequately-funded, or low-paying entitlements that Congress has adopted or ignored since the advent of the All Volunteer Force. For example:

a. Basic Pay for Petty Officers. In 1971 the minimum basic pay of a Master Chief Petty Officer was 5 times that of a Seaman Recruit. By 1982 it had dwindled to a ratio of 3-to-1.

b. Bonuses. Reenlistment bonuses once were authorized for all reenlistees whose tenure was less than 20 years. Today only selective bonuses are authorized for certain personnel.

c. Unused Leave. Enlisted personnel once were authorized to "cash in" up to a maximum of 60 days of unused leave for each enlistment of 2 or more years. Currently, the limit is 60 days for a full career regardless of length of service.

d. Hazardous Duty and Incentive Pay. Continues to be an archaically-constructed benefit that in many specialties pays an officer a greater amount than what an enlisted member receives--even though the danger to life or limb is of equal risk.

e. Foreign Duty Pay. This pay once was approximately 10 percent of an enlisted member's basic pay. Today, it's about 1 percent.

f. Special Pay/CHAMPUS. Personnel assigned to areas that are remote to military installations lose the savings associated with their use of and availability to military stores, medical facilities, morale, welfare and recreational facilities, child care centers, and etc. Yet, they receive no special pay to compensate for these losses. If nothing else, Congress should authorize 100 percent CHAMPUS coverage for their dependents.

g. Permanent Change of Station Reimbursements. A recent comparison of entitlements of a servicemember and a federal employee, both moving from coast-to-coast with an equal number of dependents and of equal pay grade (E-7 and GS-9), proves that the federal employee may receive reimbursements up to an amount exceeding $15,000. The servicemember's reimbursement is limited to less than $2,000.

l. Household Goods Weight Allowances. Another archaic

entitlement that is far inadequate in today's modern society. Greater allowances are provided to young officers while senior Petty Officers must cope with allowances that belie their status, family size and years of service. It's inconceivable that young officers must have a greater allowance when it's the senior Petty Officers that have been married longer, have larger families and have accumulated a larger inventory of household goods. Again, comparing the GS-9 with the E-7, as above, the federal worker is authorized 11,000 pounds to the E-7's 8500 pounds.

i. Variable Housing Allowances (VHA). This is probably one of the most important "people" entitlements in the Coast Guard. A great proportion of Coast Guardsmen must live on the civilian economy. With its inception in 1980, VHA offered considerable financial relief to these servicemembers, particularly those having to live in high-cost areas. VHA was designed to pay housing costs that exceeded 115 percent of a member's Basic Allowance for Quarters. Last year Congress seen fit to cap FY 1983 inflation increases so that the percentage rose to 119.3 percent. For FY 1984, the Administration seeks another cap despite the fact that civilian housing costs continue to climb. Additionally, surveys that determine the VHA for certain areas are not always indicative of the true costs. In many areas prices are attuned to the influx of tourists. Seasonal changes in housing costs may not be reflected in the surveys. Servicemembers moving into one of these areas during the busy tourist season may have to budget a higher amount in order to provide housing for his or her family.

j. Retired Pay. More than 20 significant changes have been made to the military retirement system in the last decade. All but a few adversely affected the receipt of retired pay. Of them all, none was more deceitfully conceived or as unfair, inequitable and discriminate as that adopted last year in the Omnibus Budget Reconciliation Act. Annual Cost-of-Living adjustments for 80%

of all retired servicemembers was capped at one-half of anticipated CPI increases for FY 1983, FY 1984 and FY 1985. In addition, retired servicemembers working for the federal government had their salaries offset by an amount equal to any COL adjustment to their retired pay. For the most, servicemembers will face the three-year moratorium with dignity and the acceptance that their Nation is in need. However, a further attempt to "permanentize" these actions will meet with strong disapproval from the Coast Guard's career-oriented professionals. In fact, any further action on the part of Congress to "hack away" at the retirement system will suggest an "anti-servicemember" attitude that will impact adversely on the morale and readiness of Coast Guard personnel.

k. Unusual Responsibility Pay. Many senior enlisted Petty Officers are in command of ships or units yet receive no monetary recognition for assuming greater responsibility.

CONCLUSION

The current success of the Coast Guard's ability to recruit and retain qualified and skilled personnel hangs in a very delicate balance. Whether or not many professional Petty Officers will refuse to continue their service careers because of compressed pay, losses in compensation, few rewards for attaining advanced grades, broken promises, and the perception that their Commander-in-Chief and Congress really do not concern themselves with the well-being of those who serve in the uniformed services, remains a very important question.

As noted earlier, the 1970s ended with an acute shortage of mid-level and senior enlisted personnel. It was so alarming that Congress acted over the next two years to improve pay and allowances. Steadily the numbers increased but the argument continues over what caused the

reverse-- a poor economy, congressional actions in 1980 and 1981 or a new acceptance by American youths of the uniformed services?

Probably all three have played a role in today's successful recruiting and retention programs. However, the major cause may be attributed to the economy. Since World War II, high recruiting and retention rates are always prevalent when the economy is poor. Low rates and/or poor quality are assured when civilian jobs are readily available.

"The multi-mission character of its people and operating units is the Coast Guard's greatest strength and the prime reason for the cost effectiveness of the service's operations." (DEFENSE 82, "Armed Forces Day, May 15")

NCOA encourages Congress to keep it so by ensuring that Coast Guard personnel receive "adequate" compensation for their service to Country and corps.

National Association of Air Traffic Specialists

STATEMENT OF HARRY J. DUKE, JR., EXECUTIVE DIRECTOR

ACCOMPANIED BY EDWARD L. HUIE, DIRECTOR OF LEGISLATIVE AFFAIRS

Mr. Hardin. We turn now to the National Association of Air Traffic Specialists, Harry Duke, and Ed Huie.

Mr. Huie is a long and very effective friend of the subcommittee. He has done an excellent job of representing the organization in the past.

Mr. Duke. Thank you, Mr. Chairman.

We are also appreciative of Mr. Huie's efforts.

Mr. Chairman, I am pleased that you have provided me with an opportunity to appear before you and to express my thoughts and opinions on the DOT/FAA fiscal year 1984 budget requests.

This statement will cover five different subjects: (1) general; (2) shortage of personnel; (3) consolidation of facilities; (4) study by General Accounting Office; and (5) new site locations.

The flight service system is an integral part of the air traffic control system and flight service missions are set forth on page 47 of the 1984 budget justifications. There are about 317 flight service stations throughout the United States. The personnel who staff the air traffic

control system are called: Air traffic control specialist (station); air traffic control specialist (terminal); and air traffic control specialist (center).

Mr. Chairman, we are eternally grateful to you in your hearing session for your skillful line of questions to the FAA Administrator relative to the FAA appropriations being contingent upon approval of the Appropriations Committees relative to facility consolidations and closures.

We have long since learned that it is far, far better to be governed by the legislative branch than by Executive order.

We are pleased to note in his statement to this committee that Administrator Helms was rich in praise for the personnel in the FAA and was impressed by their motivation and dedication.

Moreover, he stated that they are well trained, have a strong sense of responsibility for the FAA mission, and have the efficiency with which to accomplish that mission. Since we represent air traffic control specialists (station), we are grateful to hear these words of praise for our members.

Each year we address the shortages of authorized positions in the flight service system, each year the workload increases, and each year the FAA requests the same or fewer positions.

A labor union is a poor advocate for requesting more positions to accomplish certain objectives. Accordingly, in this statement we will provide information and documents generated by the Department of Transportation which suggest the requirement for additional staffing.

The first of these (attachment 1) is a study conducted by the Central Region Headquarters of the FAA. The study is included in its entirety so that all of its parts will remain in the proper context. This study addressed a reduction of 49 positions in that region.

We assume that similar studies were conducted in other regions as well. However, this is the only one we have been privileged to review. We will quote selected paragraphs as follows:

> It was obvious to the work group that 326 is an unrealistic number to accomplish the mission of providing services to the aviation public. We all have concerns that aviation safety is being compromised by the continued reduction in FSS staffing. We are all in agreement that FSS staffing should be increased to meet user demands.

Your attention is particularly invited to the section of the study entitled "Impact Statement". Excerpts are quoted here:

> Lost aircraft orientation: Only five facilities would be available within the four-State region to provide lost aircraft assistance with limited coverage geographically.
>
> Search and rescue: Individual FSS locations would be unable to render assistance to persons and/or property in distress during their hours of closure. This would require overdue/missing aircraft handling by remote locations unfamiliar with flight plan areas, contact sources, and local law enforcement officials.

Flight assists are important to us and flight service personnel take exceptional pride in being a part of an effort to save the lives of persons who are airborne and need help.

In the 1983 House hearings (part 6, page 497), it is significant to note that 44.8 percent of all flight assists were made by flight service system personnel while the system was endowed with only 18 percent of the total personnel positions in the air traffic control system.

In spite of all of this, the policy of the Secretary of Transportation is clear in his letter of January 31, 1983 (attachment 2) to Congressman Gene Taylor, a portion of which is quoted here:

> Although our original FSS modernization plan did include the establishment of automated stations prior to consolidation, the need to reduce the cost of Government makes it prudent to avail ourselves of the opportunity to consolidate FSS's as soon as feasible.

It is our view that just the opposite position would be prudent and that it would be wise to overspend on the side of safety rather than concentrating entirely on the cost of Government.

While we have not endorsed any part of the President's private sector survey on cost control, we did find a truism on page 236 in the part relative to the Department of Transportation and flight service station consolidation quoted as follows:

> FAA has not presented a comprehensive, convincing plan for consolidation that would encourage rational analysis of the pros and cons.

Our policy, our own policy is that first we should demonstrate, then consolidate.

This concludes my statement.

Thank you very much.

Mr. HARDIN. Thank you very much for appearing here today and cooperating with the committee's time restraint.

Please be assured we will refer your testimony to Chairman Andrews.

Mr. DUKE. Thank you very much.

[The statement of Mr. Duke follows:]

STATEMENT OF HARRY J. DUKE, JR.

Mr. Chairman and distinguished members of this Subcommittee, I am pleased that you have provided me with the opportunity to appear before you and to express my thoughts and opinions on the DOT/FAA Fiscal Year 1984 budget requests. I am accompanied by Mr. Edward L. Huie, our Congressional Liaison.

This statement will cover five different subjects:

1. General;
2. Shortage of personnel;
3. Consolidation of facilities;
4. Study by General Accounting Office; and
5. New site locations.

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Each year we address the shortages of authorized positions in the Flight Service System, each year the work load increases, and each year the FAA requests the same or fewer positions.

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In Part 6 of the House Hearings on the FAA 1983 Appropriations (page 496), Administrator Helms states:

> "As long as we do not reach the point of pilots

queing up for service, we see no impact on safety. If pilots have to queue up on the telephone and wait for a long time, this will encourage them to fly without the proper information. We do not want that."

We certainly do agree with the Administrator, but the sad fact is that the queuing up among pilots has been going on for a long time.

In the House Hearing for 1979 (Part 4, page 339), we come close to finding the truth from the FAA:

> "Despite efficiencies made in FSSs through our near-term improvement plan which yielded productivity increases, and although we are still meeting a significant portion of work load demand, this demand could become more difficult to accommodate in future years. For example, a fiscal year 1976 survey involving 15 of our busiest FSS facilities indicates that 'reported lost calls' average anywhere from 5-15% of total incoming calls. This suggests that our lost call posture could worsen. Obviously, this statistic cannot include incoming calls that were never made."

The incoming calls "that were never made" are the disgusted pilots who fly without the proper information. This is exactly what the Administrator says he does not want.

If lost calls are in the range of 5-15% as the FAA says, then we already have 3,160,000 to 9,480,000 lost calls annually made by disgusted pilots who fly anyway. That seems to us to result in a large number of aircraft in the skies which do not have adequate flight information.

Flight assists are important to us and flight service personnel take exceptional pride in being a part of an effort to save the lives of persons who are airborne and need help.

In the 1983 House Hearings (Part 6, page 497), it is significant to note that 44.8 percent of all flight assists were made by Flight Service System personnel while the system was endowed

with only 18 percent of the total personnel positions in the Air Traffic Control System.

In spite of all of this the policy of the Secretary of Transportation is clear in his letter of January 31, 1983 (attachment 2) to Congressman Gene Taylor, a portion of which is quoted here:

> "Although our original FSS modernization plan did include the establishment of automated stations prior to consolidation, the need to reduce the cost of government makes it prudent to avail ourselves of the opportunity to consolidate FSSs as soon as feasible."

It is our view that just the opposite position would be prudent and that it would be wise to overspend on the side of safety rather than concentrating entirely on the cost of government. The cost to government is seriously questioned in view of recent increased gasoline taxes levied upon general aviation.

The Secretarial policy also seems to ignore language in Senate Report No. 97-546 relative to the 1983 Appropriations Bill quoted in part:

> "It appears that efforts at FAA consolidation may be progressing too far in advance of the modernization program, raising serious concerns about the resultant impact on safety. The Committee believes that the new modernized flight service station must demonstrate that it is capable of achieving its designated mission before action is taken to dismantle or remove existing stations."

We are in complete agreement with the Senate Report and consider it to be wise and prudent.

In the House Hearing, Chairman Lehman made it clear to the FAA Administrator that the Senate and House conferees had urged the Secretary to send the study and the analysis relative to early retirement for flight service station specialists to the General Accounting Office for "evaluation, analysis and report". We are pleased that the Administrator agreed to do so and to abide by the urging of the conferees.

This Association, by letter dated January 5, 1983 (attachment 3), had previously invited the attention of the Secretary to this matter and in the interest of employee morale had requested his early action. In his response of February 3, 1983 (attachment 4), the Secretary set forth his views relative to report language but did agree to provide information to the General Accounting Office upon its request. We do not believe that the General Accounting Office itself normally seeks issues for study but rather it reacts to authorized requests. Therefore, we are delighted that this issue has been made abundantly clear and we hope for early action on an issue upon which resolution is long overdue.

Finally, Mr. Chairman and Members of this Committee, we express concern relative to the stated policy as to the site locations of the new modernized flight service stations. In the 1983 Hearings (Part 6, page 507), the Administrator stated:

> "We will go to a community and have a competition, and whichever community makes us the best deal, that is where we will locate the flight service station. We do not care where the flight service station is put in."

Surely there must be more to geographical location than cost. Somewhere in this maze someone must be thinking about aviation safety. Some of our considerations would include:

1. The concentration of general aviation pilots.
2. Easy access for safety-conscious pilots
   a. for study of maps and charts;
   b. to sight appropriate NOTAMS;
   c. to study weather maps and related weather information.
3. Terrain considerations to insure best possible communications.
4. Availability of land line communications.
5. Availability of ground transportation.
6. Adequate and economical housing for federal employees.
7. Reliability of power sources.
8. Cost now and cost for renewal of lease. Some kindly city fathers become greedy at renewal time and could force relocation.

9. Overall cost to local, state and federal government as it pertains to bonds and other tax free instruments. What appears as a savings to the FAA budget could cost much more to government in general.

While we have not endorsed any part of the President's Private Sector Survey on Cost Control, we did find a truism on page 236 in the part relative to the Department of Transportation and flight service station consolidation quoted as follows:

"FAA has not presented a comprehensive, convincing plan for consolidation that would encourage rational analysis of the pros and cons."

Thank you, Mr. Chairman.

ATTACHMENT 1

LETTER FROM FRANCIS J. JOHNS, SUPERVISOR, OPERATIONS SECTION, FEDERAL AVIATION ADMINISTRATION

Mr. Richard R. Walkup
Central Region Director
NAATS
806 Smith
Manhattan, Kansas 66502

JAN 11 1983

Dear Mr. Walkup:

We are attaching the staff study that you have requested. Our records indicate that we had provided this information to the NAATS Central Region Director in July 1982 and assumed it would have been passed along with the other files.

I would emphasize that this is a working document and represents a worse case situation. In fact, the numbers have already changed slightly.

Sincerely,

Francis J. Johns

Francis J. Johns
Supervisor, Operations Section

1. It was obvious to the work group that 326 is an unrealistic number to accomplish the mission of providing services to the aviation public. We all have concerns that aviation safety is being compromised by the continued reduction in FSS staffing. We are all in agreement that FSS staffing should be increased to meet user demands.

We were further constrained at this time from considering the next best solution, which is to close certain facilities and part-time others (which would effect a redistribution of FPLs to locations where they would be more productive). Even with current total FSS staffing of 368, many functions are being limited or curtailed. The continued reduction to 326 will result in further reductions and/or eliminations of other activities such as training, airport liaison and other operational and non-operational functions.

The specific assigned task was to develop a plan for operating Central Region FSS facilities with a maximum staffing allocation of 326.

We considered a variety of items in an attempt to cope with the reductions. Among the items considered were:

a. Expedite forced moves of FSS personnel to conform with the proposed staffing distribution submitted by the Air Traffic Division study, dated May 7, 1982, Subject: INFORMATION: Regional Flight Service Station Staffing Distribution.

b. We discussed the possibility of reducing Level III facility staffing on the chance that they might be better utilized at other locations.

c. We discussed the possibility of centralizing the General Aviation Reservation Program to reduce workload at the majority of facilities.

d. We discussed the possibility of eliminating various functions at Flight Service Stations to reduce workload.

e. Readjust flight plan areas of some Central Region Flight Service Stations by serving only airports within the Central Region boundaries.

f. Reduce the pilot briefing workload by establishing additional PATWAS locations.

g. Discontinuing all INWATS service.

h. Retain INWATS but discontinue all local telephone briefing lines.

i. Obtain call forwarding telephone equipment to provide for workload adjustment during busy periods.

All of the above items were eliminated from consideration because they were determined to be impractical for various reasons.

After extensive discussions of the above stated options and eliminating all of them from consideration (and having available for our use the staff study document "Analysis of Central Region Flight Service Station Staffing Organization"). the work group concurs with the recommendations of the staff study group (option c).

Because of various workload factors at facilities, the determination of discontinuing INWATS and reducing flight plan areas will have to be made on an individual basis by coordination between the Air Traffic Division and the facility chief.

ANALYSIS OF CENTRAL REGION FLIGHT SERVICE STATION

STAFFING ORGANIZATION

3/26/82

1. PURPOSE

The purpose of this study is to analyze the current and proposed flight service station staffing allocations and develop an alternate method of meeting the demand for services within regional staffing limitations.

2. BACKGROUND

Flight Service Stations have experienced significant reductions in staffing during the past four years. Since the beginning of FY'81, seven facilities have been reduced in hours of operation due to critical staffing levels. Two of these facilities have resumed 24-hour operation, while three others now face a reduction in their hours due

to personnel shortages. One of the three locations was previously reduced and has since returned to normal operating hours. Several additional locations are currently at marginally critical levels. There is an insufficient number of positions available to accommodate, not only, the demand for services but also to maintain normal hours of operation. We have been unsuccessful in closing or permanently part-timing due to local and political opposition.

3. FACTS

The following data represents regional staffing allocations for the FSS option during the last four years.

Fiscal Year	Funded Staffing
82	322 (tentative)
81	366
80	414
79	423

The net result is a 24% decrease in funded staffing levels. These reductions will not allow us to continue operating our field facilities as we have in the past. These reductions have impacted our ability to meet the [illegible] on a 24-hour basis region-wide.

4. ANALYSIS OF THE FACTS

(See attached impact statement prepared separately)

5. OPTIONS

a. Continue to reduce hours of operation consistent with facility staffing.

b. Mass realignment of personnel and flight plan areas of responsibility.

c. Realign flight plan areas of responsibility as personnel losses occur.

6. ANALYSIS OF THE OPTIONS

a. Continue to reduce hours of operation consistent with facility staffing.

(1) Advantages

(a) Requires no changes in present application of methodology.

(b) No cost increases.

(2) Disadvantages

(a) A fluctuation in facility hours of operation.

(b) Lost services during hours of closure.

b. Mass realignment of personnel and flight plan areas of responsibility.

(1) Advantages

(a) Immediate reconfiguration consistent with the FSS automation program.

(b) Maintains 24-hour operation of field facility locations.

(c) All required charting, publications and NOTAMS would be accomplished simultaneously.

(2) Disadvantages

(a) User adaptation to mass changes.

(b) Relocation of personnel.

(c) Related costs (leased services, PCS, F&E).

(d) Adverse impact on facilities absorbing additional workload.

(e) Personnel training.

c. Realign flight plan areas of responsibility as personnel losses occur.

(1) Advantages

(a) Costs would be spread out over a period of time.

(b) Workload would be increased gradually at hub locations.

(c) Relocation of personnel on an "as needed basis".

(d) Provide opportunity for a graduated training program for facility personnel.

(e) Consistent with the consolidation program.

(f) Provides an opportunity to make changes and avoid mass duplication of effort and costs.

(g) Reduces need to part time.

(2) Disadvantages

(a) Will involve costs associated with retermination of leased services and F&E projects.

(b) Will require piecemeal changes to charting and publications over a longer period of time.

7. RECOMMENDATION

We recommend adoption of option c. We further recommend that the following actions be taken immediately at the Dodge City, Salina, Chanute, Burlington and Vichy Flight Service Stations:

a. Reduce flight plan areas to the local telephone exchange.

b. Reterminate all non-local NAVAIDS to identified hub facilities.

c. Reterminate INWATS telephone service as necessary to meet the increased demand for services.

d. Adjust individual facility staffing as necessary.

ACTIVITY FY'81

FACILITY	TRAFFIC	LOCAL TRAFFIC	TRAFFIC ASSUMES BY HUB STATION
		MISSOURI	
*STL	518	- -	518
CGI	171	69	102
VIH	72	25	47
Totals	761		667
*MKC	446	- -	466
COU	184	55	129
SGF	153	77	76
JLN	77	31	46
Totals	859		717
		KANSAS	
*ICT	401	- -	401
DDC	92	82	10
RSL	104	10	94
MHK	91	45	46
CNU	100	60	40
SLN	87	70	17
GLD	87	9	78
EMP	32	32	0
HLC	10	10	0
GCK	115	70	46
Totals	1119		732
		NEBRASKA	
*OMA	285	- -	285
LNK	158	95	63
GRI	124	50	74
LBF	130	85	45
BFF	104	83	21
CDR	22	20	2
SNY	22	21	1
Totals	845		491
		IOWA	
*DSM	263	- -	263
MCW	165	41	124
OTM	123	40	83
Totals	551		470
*CID	329	- -	329
BRL	112	22	90
Totals	441		419

*Hub Stations

FLIGHT PLAN AREA REALIGNMENT CHECKLIST

1. TRAINING

   a. Area rating (copy of area knowledge study guide to hub station).

2. EQUIPMENT

   a. Telephone Capability

      (1) Commercial
      (2) INWATS

(3) Interphone access to additional sectors and centers
(4) Direct lines to BASOPS/ATCTs

b. NAVAID Monitoring

(1) AF call back list
(2) Dialing procedures

c. RCOs

3. PROCEDURES

a. General Aviation Reservation Program

b. Airport Condition File

(1) Search and Rescue Information (telephone numbers of airport managers/operators, local police and highway patrol.

c. Antenna Locations and Telephone Numbers of Owner/Operators

d. Message Delivery Responsibilities

(1) ATCTs
(2) AF
(3) Flight Standards

e. Military Flight Data Information

(1) BASOPS
(2) MOA/MTR

f. Teletype

(1) Service A - Transmission of Sequence Reports and NOTAM Data for Additional Flight Plan Area
(2) Service B - Additional Polling

g. Letters of Agreement

h. NOTAMS

4. PUBLICITY - 60 DAYS

a. Letters to Airmen

b. Airport/Facility Directory

c. Location Identifiers Handbook, 7350.4

d. Charts, Maps, Approach Plates, etc.

e. NOTAMS

5. COORDINATION WITH GOVERNMENTAL OFFICES

a. National Weather Service
b. Flight Standards
c. ARTCC
d. ATCT
e. AF
f. Regions/Headquarters

6. POLITICAL AND UNION

a. Senators/Representatives
b. State Aviation Directors
c. Local Mayors
d. NAATS Regional Coordinator

OUT-OF-STATE LOCATIONS WITHIN ACE FLIGHT PLAN AREA OF RESPONSIBILITY

FSS	AIRPORT NAME	LOCATION	TELEPHONE SERVICE	COMMUNICATIONS
BKL	Wolford	Abingtom, IL.		
	Elbea Malone(PVT)	Abingtom, IL.		
	Sanders Hospital Heliport	Avon, IL.		
	Palmer	Bardolth, IL.		
	Cornatt(PVT)	Biggsville, IL.		
	Seymour(PVT)	Biggsville, IL.		
	Capair Inc.	Blandinsville, IL.		
	Boyd(PVT)	Burnside, IL.		
	Brooks Ranch(PVT)	Burnside, IL.		
	McPherson	Carthage, IL.		
	Lung(PVT)	Carthage, IL.		
	Lamaster	Bishop Hill, IL.		
	Douglass	Coluss, IL.		
	Owings(PVT)	Coluss, IL.		
	Rhea(PVT)	Pontoosuc, IL.		
	Shissler	Keithsburg, IL.		
	Rosenow	Fulton, IL.		
	Nordstrom(PVT)	Galva, IL.		
	King	Knoxville, IL.		
	Housewright	LaHarpe, IL.		
	Hartley(PVT)	Laura, IL.		
	Smith	MacComb, IL.	FX	
	McDonough County Hospital	MacComb, IL.	FX	
	McComb Municipal	MacComb, IL.	FX	RCO (121.5)
	Davies	Maquon, IL.		
	Young(PVT)	Monmouth, IL.	Enterprise	
	Municipal	Monmouth, IL.	Enterprise	
	Community Heliport Hospital	Monmouth, IL.	Enterprise	
	Russell Farms(PVT)	New Boston, IL.		
	Ravoli Park(PVT)	New Windsor, IL.		
	Orwig(PVT)	North Henderson, IL.		
	Municipal	Prame City, IL.		
	Freezes Last Resort(PVT)	Reynold, IL.		
	Johnson(PVT)	Rio, IL.		
	Burks Strip(PVT)	St. Augustine, IL.		
	Raff(PVT)	Strong Burst, IL.		
	Tri-County Flying Club	Yates City, IL.		
	Municipal	Galesburg, IL.	FX	VOR
	Cottage Hospital Heliport	Galesburg, IL.		
	Kewanee Municipal	Kewanee, IL.	Enterprise	

These locations represent approximately 65% of the BKL FSS's total activity. The Great Lakes Region is receptive to coordinating flight plan area boundaries.

OUT-OF-STATE LOCATIONS WITHIN ACE FLIGHT PLAN AREA OF RESPONSIBILITY

FSS	AIRPORT NAME	LOCATION	TELEPHONE SERVICE	COMMUNICATIONS
MCW	Municipal	Albert Lea, MN.	FX	VOR(State)
	Municipal	Fairmont, MN.	FX	VOR
	Municipal	Blue Earth, MN.	Zenith	
	Amundson(PVT)	Bricelyn, MN.		
	Burk Airport	Amboy, MN.		
	Craven	Huntley, MN.		
	Erdehl	Blue Earth, MN.		
	Fenske(PVT)	Blue Earth, MN.		
	Free Born County	Manchester, MN.		
	Glenville Ang	Glenville, MN.		
	Hamburgs	Blue Earth, MN.		
	Jacobson	Wells, MN.		
	Martin Airport	Easton, MN.		
	Monson Airport	Winnebago, MN.		

FSS	AIRPORT NAME	LOCATION	TELEPHONE SERVICE	COMMUNICATIONS
	Taubner Airport	Winnebago, MN.		
	Walts Heliport	Alden, MN.		
	Ward Airport	Hollandale, MN.		
	Wells Municipal	Wells, MN.		

These locations represent approximately 12% of the MCW FSS's total activity. The Great Lakes Region is receptive to coordinating flight plan area boundaries.

OUT-OF-STATE LOCATIONS WITHIN ACE FLIGHT PLAN AREA OF RESPONSIBILITY

FSS	AIRPORT NAME	LOCATION	TELEPHONE SERVICE	COMMUNICATIONS
CID	Grant County	Platteville, WI.	FX	
	Municipal (PVT)	Platteville, WI.		
	Winkers (PVT)	Platteville, WI.		
	Rigdon (PVT)	Hazelgreen, WI.		
	Mercer County	Aledo, IL.		
	Woods (PVT)	East Moline, IL.		
	Quad City Municipal	Moline, IL.	2 FX Lines	122.6 VOR
	Stevens (PVT)	Fredericksburg, IL.		
	Boyd (PVT)	Cambridge, IL.		
	Farm (PVT)	Wheatly, IL.		
	Kamy Field (PVT)	Cordova, IL.		
	Sand Box (PVT)	Cordova, IL.		
	Nordstrom (PVT)	Calva, IL.		
	Christmas Forest (PVT)	Geneseo, IL.		
	Ford Airport (PVT)	Geneseo, IL.		
	Cole (PVT)	Geneseo, IL.		
	Martin Gustafson (PVT)	Geneseo, IL.		
	Ropp (PVT)	Hillsdale, IL.		
	Cole (PVT)	Hillsdale, IL.		
	Miller (PVT)	Milan, IL.		
	Thudwhomp(PVT)	Illinois City, IL.		
	Young (PVT)	Viola, IL.		
	Weihler (PVT)	Sherrard, IL.		
	Litton Field (PVT)	Wood Hull, IL.		
	Cole Heliport (PVT)	Hillsdale, IL.		
	Trauma Center Heliport(PVT)	Moline, IL.		
	Illini Hospital Heliport (PVT)	Silvas, IL.		
	Quad City Seaplane Base (PVT)	Moline, IL.		

These locations represent less than 2% of the CID FSS's total activity with the exception of MLI which represents approximately 33%. The Great Lakes Region is receptive to coordinating flight plan area boundaries.

Flight Service Station	FY-81 PC&B Costs	# Facility Classification Flight Services	Average Cost Per Flight Service
Burlington, Ia.	$288.0	92,013	$3.13
Cape Girardeau, Mo.	449.3	116,141	3.87
Cedar Rapids, Ia.	667.4	228,568	2.92
Chadron, Nb.	115.0	19,367	5.94
Chanute, Ks.	249.2	82,784	3.01
Columbia, Mo.	534.7	140,468	3.81
Des Moines, Ia.	700.1	229,640	3.05
Dodge City, Ks.	223.6	83,306	2.68
Emporia, Ks.	107.3	28,705	3.74
Garden City, Ks.	288.0	98,815	2.91
Goodland, Ks.	256.0	75,580	3.51
Grand Island, Nb.	311.4	94,756	3.29
Hill City, Ks.	85.3	8,689	9.82

Flight Service Station	FY-81 PC&B Costs	# Facility Classification Flight Services	Average Cost Per Flight Service
Joplin, Mo.	266.2	62,924	4.23
Kansas City, Mo.	1,552.3	383,166	4.05
Lincoln, Nb.	319.9	115,165	2.78
Manhattan, Ks.	214.3	79,350	2.70
Mason City, Ia.	325.6	137,363	2.37
North Platte, Nb.	314.8	108,583	2.90
Omaha, Nb.	847.3	199,631	4.24
Ottumwa, Ia.	241.4	100,286	2.41
Russell, Ks.	255.2	87,885	2.90
St. Louis, Mo.	1,528.6	408,140	3.75
Salina, Ks.	203.8	69,138	2.95
Scottsbluff, Nb.	244.1	87,911	2.78
Sidney, Nb.	90.2	19,758	4.57
Springfield, Mo.	332.5	120,344	2.76
Vichy, Mo.	230.4	59,815	3.85
Wichita, Ks.	1,031.6	295,609	3.49

3/29/82

PROJECTED STAFFING WITH CONSOLIDATION EFFORTS

FACILITY	CURRENT STAFFING	% LOCAL TRAFFIC	ADJUSTED STAFFING
STL	42	75	42
MKC	42	75	42
ICT	27	80	38
OMA	27	35	30
CID	24	30	24
DSM	25	45	29
COU	12	30	6
CGI	11	40	6
MCW	8	25	6
SGF	8	50	6
LNK	8	60	6
GRI	8	40	6
LBF	8	65	6
OTM	8	33	6
BKL	8	20	6
GCK	8	60	6
RFF	8	80	7
DDC	8	90	7
RSL	8	10	5
MHK	7	50	5
CNU	8	60	6
SLN	8	80	7
GLD	8	10	5
JLN	7	40	6
VIH	7	35	6
EMP	3	100	3
CDR	4	90	4
SNY	3	95	3
HLC	2	100	2
	335		331

1. The six largest facilities would gain FPLs based upon 25,000 flight services per specialist.

2. Further reductions in regional staffing allocations would be accommodated by temporary reductions in hours of operation at the locations with reduced flight plan areas.

CURRENT PRODUCTIVITY LEVELS (FY-81)

FACILITY	ACTIVITY	FPLs	PRODUCTIVITY	STAFFING
STL	518,120	28	15,701	
	51,936	5	10,387	E
MKC	465,827	28	16,637	
	64,445	5	12,889	E
ICT	400,657	21	19,079	+
OMA	284,598	16	17,787	
	26,487	5	5,297	E
CID	329,250	18	18,291	-
DSM	262,751	14	18,768	
	40,157	5	8,031	-
COU	183,922	10	18,392	-
CGI	171,401	9	19,045	+
MCW	165,421	7	23,632	E
SGF	153,499	7	21,928	+
LNK	158,059	7	22,580	-
GRI	124,488	7	17,784	E
LBF	130,343	7	18,620	E
OTM	122,628	7	17,518	-
BRL	112,257	7	16,037	-
GCK	115,292	7	16,470	E
RFY	104,165	7	14,881	E
DDC	91,632	7	13,090	-
RSL	104,385	7	14,912	E
MHK	90,900	6	15,150	E
CNU	99,524	7	14,218	E
SLN	86,944	7	12,421	-
GLD	86,930	7	12,419	E
JLN	77,486	6	12,914	E
VIH	72,275	6	12,046	E
EMP	32,237	2	16,119	E
CDR	21,825	3	7,275	-
SNY	22,460	2	11,230	-
HLC	9,501	1	9,501	-
	4,781,796	288	16,603 per specialist	

Staffing trend:

E = Even

+ = Overage

- = Shortage

3/19/82

IMPACT STATEMENT - FY-82 STAFFING LEVELS
FLIGHT SERVICE STATIONS

The following is an impact statement regarding end of year (EOY) staffing allocations for FY-82.

FSS STAFFING

Flight Service Stations have experienced exorbitant reductions in staffing during the past four years. The table below depicts EOY figures and percentage changes over the previous year.

FY	AUTH	% CHANGE	FUNDED	% CHANGE
82	350	-10%	322	-12%
81 (429)	390	-9% (419)	366	-12%
80	427	+1%	414	-2%
79	423	——	423	——

Collectively, FSS authorized/funded staffing has been reduced by 18% and 24% respectively. In the meantime, a direct correlation exists between continued staffing reductions and overall FSS productivity. Total flight services during this same period have been impacted, directly paralleling personnel reductions over a four year period.

FY	TOTAL FLIGHT SERVICES	% CHANGE
81	4,781,796	-3%
80	4,934,156	-6%
79	5,258,010	-2%
78	5,359,406	----

These figures represent an 11% reduction in total output.

It is apparent that productivity losses are directly related to staffing reductions. In order to reduce an additional 10%, productivity will also be reduced. In order to accommodate an additional 10% reduction in staffing, the following will be impacted proportionately:

1. Hours of operation
2. Services
3. Personnel actions
4. Facility classification
5. Grade levels

1. HOURS OF OPERATION

Since the beginning of FY-81, seven FSSs have been reduced in hours of operation, two of which were returned to 24 hour operation (GLD, SLN, CDR, DDC, HLC, SNY and BRL). In the meantime, one of the locations which returned to 24 hour operation (SLN), faces another temporary reduction in hours due to staffing shortages. An additional location has also been submitted for a reduction in hours (CNU). Many other locations are borderline cases, due to existing staffing shortages. An additional 10% reduction in staffing (a total reduction of 44 funded positions less than FY-81 figures) will further impact not only those locations which are already at critical levels, but will also have repercussions at other locations by placing them in either a critical or marginally critical posture. The potential exists that all but 3 of the 21 Central Region Level II facilities would require reductions in hours of operation to 16 hours a day on a permanent basis. One Level I facility would reduce to 16 hours daily, and the remaining four facilities would retain their current hours of operation (three of which are presently reduced in hours). (See attachment No. 1.)

2. SERVICES

In addition to impacting hours of operation, the following services would be impacted:

a. Airport Advisory Service (AAS). This service would be eliminated at all Level I and II FSSs during their hours of closure (2200-0600). Only two Level II and two Level III FSSs would retain this capability.

b. General Aviation Reservation (GAR) Program. This service would not be available in its present form at 23 locations. The development of an alternate method for distribution of reservation requests will be required.

c. INWATS. INWATS service would not be available at 18 of 25 facilities during their hours of closure, and limited availability of pilot weather briefing capabilities at the remaining seven which are not staffed to handle increased workload.

d. Weather Observations. Weather observations would not be available during hours of closure at 11 locations. Contract observers would become necessary.

e. Flight Plan Area Services. Due to personnel reductions, limited staffing would impact the demand for services which currently exist. Redistribution of flight plan areas would require further study.

f. Control Zones. Control zone hours would be reduced due to a lack of weather and communications.

g. NOTAM Services. NOTAM handling and distribution would require reconsideration of current procedures. Notification and transmissions would be absorbed by full-time facilities who are not staffed for this increased workload.

h. Lost Aircraft Orientation. Only five facilities would be available within the four-state region to provide lost aircraft assistance with limited coverage geographically.

i. NAVAID Monitoring. The absence of NAVAID monitoring would raise approach minimums and would require a modification/change to airway/route structures.

j. Search and Rescue. Individual FSS locations would be unable to render assistance to persons and/or property in distress during their hours of closure. This would require overdue/missing aircraft handling by remote locations unfamiliar with flight plan areas, contact sources and local law enforcement officials.

k. General. Many administrative duties currently performed by operational personnel on the midnight shifts will impact facility managers who are currently providing operational support, backup and shift coverage. The demand for services will be affected due to employee leave status and proposed furlough actions. The ability to accomplish facility training requirements will be further limited due to reduced staffing and operational demands.

3. PERSONNEL ACTIONS

The current FSS staffing total is 371 positions. In consideration of a current funded level of 322, personnel actions would be required to attain a reduction of 49 positions, some of which will be accomplished through attrition. An average attrition rate of three personnel per month will reduce this figure by only 18 positions. The remaining balance will require a reconsideration of employment status.

In order to accommodate a redistribution of existing field facility personnel, an estimated 30 permanent change-of-station moves will be required, in consideration of normal attrition levels. Other personnel actions would also be required due to the elimination of positions which were previously authorized (i.e., loss of supervisory positions).

4. FACILITY CLASSIFICATION

A reduction in hours of operation and facility staffing will directly influence the ability to provide air traffic services. A reduction in flight services and pilot weather briefings will impact facility classification. A large number of Level II FSSs will experience extensive activity reductions and will eventually necessitate their being reclassified.

5. GRADE LEVELS

As a result of facilities being reclassified, there would be an impact upon grade levels. It is estimated that reduced hours and staffing, which will require facility reclassification, and subsequent downgrading, would impact at least six Level II facilities and a minimum of 36 personnel.

ATTACHMENT NO. 1

FIELD FACILITY STAFFING DISTRIBUTION

FACILITY	CURRENT	PROJECTED
STL	42	42
MKC	42	42
ICT	27	27
OMA	27	27
CID	24	24
DSM	25	25
COU	12	9
CGI	11	8
MCW	8	8
SGF	8	7
LNK	8	7

FACILITY	CURRENT	PROJECTED
GRI	8	6
LBF	8	6
OTM	8	6
BRL	8	6
GCK	8	6
BFF	8	6
DDC	8	6
RSL	8	6
MHK	7	6
CHU	8	6
SLN	8	6
GLD	8	6
JLN	7	6
VIH	7	6
EMP	3	3
CDR	4	4
SNY	3	3
HLC	2	2
	355	322

ATTACHMENT 2

LETTER FROM DREW LEWIS, SECRETARY OF TRANSPORTATION

The Honorable Gene Taylor
House of Representatives
Washington, D.C. 20515

JAN 31 1983

Dear Mr. Taylor:

Thank you for your recent letter requesting information regarding the closure and part-timing of flight service stations (FSS).

Presently, there are 317 FSS's in the National Airspace System. Forty-three of these are operating permanently on a part-time basis. We have not part-timed or closed permanently any FSS since 1980.

We plan to close and part-time as many FSS's in fiscal year 1983 as legislative restrictions will allow. Be assured before any such actions are taken, a thorough staff study will be completed for each location including the impact on personnel. Prior approval will be obtained from both the House and Senate Appropriations Committees as required by the Senate Appropriations Committee report accompanying the Department of Transportation and related agencies appropriations bill of 1983.

The concept of consolidating FSS functions into an automated facility has been proven sound at Leesburg, Virginia, which has been operating in that mode since 1976. Although our original FSS modernization plan did include the establishment of automated stations prior to consolidation, the need to reduce the cost of Government makes it prudent to avail ourselves of the opportunity to consolidate FSS's as soon as feasible. In doing so, I assure you that the users of the FSS system will receive the same services being provided today. In fact, the overall system productivity will increase as we proceed with consolidations.

Your support of our programs in the past is greatly appreciated. We will be happy to provide the information you requested. Please identify an individual on your staff that we can contact to develop a method of delivery and content.

Your interest in this matter is appreciated. We hope we can count on your continued support for our future efforts to reduce the cost of Government.

Sincerely,

Drew Lewis

ATTACHMENT 3

LETTER FROM CHARLES C. ANDERSON, PRESIDENT, NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

The Honorable Drew Lewis
Secretary of Transportation
Washington, D.C. 20590

January 5, 1983

Dear Mr. Secretary:

The purpose of this letter is to invite your attention to the Congressional Conference Report on H.R. 7019, Department of Transportation and Related Agencies Appropriations, 1983, in general and to the early retirement statement relative to flight service station specialists in particular.

For your convenience that statement is quoted as follows:

> "The conferees urge that the study and the analysis relative to eligibility of flight service station specialists for early retirement under Public Law 92-297 be referred to the General Accounting Office for evaluation, analysis and report."
> (Congressional Record, Volume 128, No. 146, Monday, December 13, 1982, page H 9512)

In the interest of improving FAA employee morale and in concert with the recommendations/conclusions embodied in the Jones Report, your early attention and action on this matter is urgently requested.

Please be advised that this Association is standing by to provide any assistance which you may request.

Sincerely,

Charles C. Anderson
President

ATTACHMENT 4

LETTER FROM E. V. CURRAN, DIRECTOR OF LABOR RELATIONS, FEDERAL AVIATION ADMINISTRATION

Mr. Charles C. Anderson
President, National Association of Air Traffic Specialists
Wheaton Plaza North, Suite 415
Wheaton, Maryland 20902

FEB 3 1983

Dear Mr. Anderson:

This is in response to your recent letter to Secretary Lewis concerning a recommendation in the Congressional Conference Report on H.R. 7019, Department of Transportation FY-83 Appropriations. The conferees urged that the study and analysis of eligibility of flight service station specialists for early retirement under Public Law 92-297 be referred to the General Accounting Office for evaluation, analysis and report.

As you are aware, Congressional Committees and Joint Committees usually have conference reports that include comments regarding specific events, and I am sure you are equally aware that only the final legislation passed by the Congress and signed into law is the instrument that is implemented.

Although there is no connection between the Congressional Conference Report and the Jones Report, we will provide the General Accounting Office with whatever appropriate information it requests.

Sincerely,

E V Curran

E. V. Curran
Director of Labor Relations

GEORGETOWN UNIVERSITY

STATEMENT OF REV. WILLIAM L. GEORGE, S.J., SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

Mr. HARDIN. The next witness is Father George.

Father GEORGE. Mr. Chairman and members of the subcommittee, I am Father William L. George, S.J., special assistant to the president of Georgetown University.

I wish to report that the planning grant as approved by Urban Mass Transportation Administration has completed the basic design of the facility in phase 1, and developed the energy master plan for the intermodal transportation system.

We have met with the Urban Mass Transportation Administration to set the schedule for processing the application for the funds to construct the facility. Progress has been made and our tentative schedule would have the process completed by August 1983.

With support from Engelhard Industries and MCR Technology, Inc., we are beginning discussions with Urban Mass Transportation Administration concerning a study to determine the advanced proven technology to implement a mode of transportation in a pilot program which would compare operational costs, environmental advantages and handicapped services with our traditional diesel bus systems.

Though the originally designed access-way was adequate, a more permanent solution to the Canal Road traffic congestion has been endorsed by the city and commuters from Maryland and Virginia. This would be a grade separated underpass which is under consideration by the House Public Works and Transportation Authorizing Committee.

It is a benefit to the District of Columbia because it would ease the congestion entering the city via Key and Chain bridges. The program of construction will permit a constant flow of four lanes, as at present.

Pending authorization, I would request that your committee appropriate the funds to the District of Columbia, which would complete the underpass.

The access-way would be permanent and offer a long-term base from which to plan options for use by various modes of transportation. It would be a direct benefit to our vehicle access demonstration.

The amount being considered by the authorizing committee is $6 million. Georgetown would supply the additional $500,000 needed from its resources of a $6.5 million project cost.

On behalf of our president, Rev. Timothy S. Healy, S.J., thank you for the opportunity to testify before this committee.

Mr. HARDIN. Thank you very much, Father, for a very brief statement.

[Reports accompanying Father George's statement follow:]

SUMMARY INTERIM REPORT—GEORGETOWN UNIVERSITY NEISES PHASE III

INTERMODAL TRANSPORTATION FACILITY AND ACCESS/EGRESS DEMONSTRATION PROJECT

(Task 2). *Design of Canal Road intersection and emergency vehicle road.*—Final documents complete awaiting D.C./DOT approval and melding with underpass design.

(Task 3). *Transit alternatives study.*—Draft complete awaiting. This task recommends the Hybrid Fuel Cell-Battery Vehicle System to be integrated with the University Master Energy Plan fuel and power production system Coal Gasification/Fuel Cell/3rd Party Cogeneration System for Transportation energy and power, and thermal integrated system.

(Task 4). *Survey and design multimodal transportation center and design parking facility.*—Study model completed/approved; cost feasibility completed/approved; final schematic design submitted for approval.

(Task 5). *Master energy-transportation plan system defined.*—Final draft to be produced July 1, 1983 for review and approval.

TRANSIT ALTERNATIVES AND A MULTIMODAL TRANSPORTATION CENTER—A REPORT FOR GEORGETOWN UNIVERSITY

EXECUTIVE SUMMARY

Recommendations: Georgetown University should proceed immediately with a two-phase transit demonstration program. The first phase would include:

Experimentation with management strategies and route structures in order to increase the number of students, faculty, and staff who use GUTS service instead of private autos to commute to and from campus. This experiment would provide more precise patronage information necessary to design the Multimodal Center.

Experimentation with entrepreneurial management programs to extend GUTS service outside the University community to people traveling to and from the Georgetown neighborhood. Possible joint ventures with the D.C. Board of Trade and/or WMATA should be explored.

Experimentation with alternative transit vehicles now available such as diesel buses that are significantly quieter and less polluting or with trolly cars which could provide a straphanger type service.

The second phase of the demonstration would include the testing of a hybrid fuel cell transit vehicle as a viable technology to meet community transit needs. Assistance from UMTA is recommended. The demonstration should be structured to serve as a model for other institutions and local governments as well as for university campuses.

Georgetown University is a logical candidate for a demonstration because of its need for transit services, its desire to make/use fuel created at its own generating facility, its objective of reducing transit operating subsidies over the long term, and the need to minimize environmental impacts. The adjacent Georgetown neighborhood also needs better transit service and including it in the demonstration program would facilitate exploration of entrepreneurial management solutions.

STATEMENT OF FAUSTINO POQUIZ, JR., FORMER DEPARTMENT OF TRANSPORTATION INVESTIGATOR

Mr. HARDIN. We now have a former DOT investigator, Faustino Poquiz.

Mr. POQUIZ. Good day, Mr. Chairman, members of the subcommittee.

I would like to say at this time that I deeply appreciate the opportunity to appear here today before your subcommittee.

As a matter of introduction, I had been a Federal safety investigator for the U.S. Department of Transportation, Office of Motor Carrier Safety (FHWA) for 6 years until September 1982, stationed during that time within FHWA region 3 in Maryland, West Virginia, and Pennsylvania.

Prior to my Government service, I had been an associate engineer for Western Electric Co. involved in systems analysis and equipment engineering at their eastern regional headquarters in Baltimore, Md., for 2 years.

The purpose of my appearance before you today as a former Federal investigator is to cover the role and responsibilities of the transportation safety program known as motor carrier safety (MCS), which is currently being administered by the Federal Highway Administration.

With over 6 years experience with the Department of Transportation as an investigator, and being familiar with this program, I feel that my testimony before your subcommittee will present a balanced insight into the Federal Highway Administration, its handling of vital transportation safety issues, and the importance of keeping a strong transportation safety enforcement program within the Federal scope of responsibilities.

After hearing my testimony and answering any questions which you might have, I hope your subcommittee will determine that there is an urgent need to increase the funding of the motor carrier safety program, obligate the hiring of more enforcement personnel, and pursue a different management structuring of motor carrier safety which is efficient and sound; as well as the relocation of the motor carrier safety program to a more compatible regulatory enforcement agency.

For nearly 15 years since the Federal Highway Administration has given the responsibility for management of the motor carrier safety program, the agency has considered motor carrier safety only an insignificant responsibility which has been consistently ignored and its priorities made subordinate to those of the other highway construction programs.

This has resulted in the continued downplaying of its needs for increased funding, qualified enforcement personnel, and support staff. Numerous studies and reports by the General Accounting Office, Office of Inspector General, National Transportation Safety Board, Office of the Secretary of Transportation, and independent contractors—which further report State comments—have had critical comments on the

Federal Highway Administration's present and future management of this program and the agency's regard for the public needs.

In 1967, while the motor carrier program was in transition from the Interstate Commerce Commission to the Department of Transportation (FHWA), the ratio of commercial vehicles to field investigator was 21,700 to 1. By 1975, this ratio had become 32,500 to 1.

Currently, there are about 170,000 carriers with a total of 3.5 million vehicles subject to motor carrier safety jurisdiction resulting in a ratio of approximately 33,980 to 1 field investigator.

In addition to these carrier/vehicle figures, there are over 12,000 shippers of hazardous materials of all descriptions which have innumerable shipping facilities across the United States.

Furthermore, motor carrier safety jurisdiction has drastically increased since 1967 with the 1980 extended DOT–EPA coverage over the shippers and carriers of hazardous wastes and substances as well as the increased coverage over certain wholly intrastate carriers of hazardous materials as a result of the Motor Carrier Act of 1980.

As can be seen, the load placed upon the motor carrier safety program and its staff is enormous. However, the Federal Highway Administration never increased the motor carrier safety program staffing and funding adequately to provide for a sound transportation safety system compliance enforcement program.

When the motor carrier safety program was transferred to the Department of Transportation (FHWA) in June 1967 there was a regional field staff of 122 positions. This consisted of 95 investigators, 6 regional directors, 4 trial attorneys, and 17 clericals.

Within 3 months' time, by end of fiscal year 1967, FHWA had reduced the field staff to 92 positions. By the end of fiscal year 1982, the agency had allowed motor carrier safety to have a field staff of only 200 positions. This is broken down as follows:

Regional staffing:	*Positions*
Associate Regional Administrators for motor carrier safety	9
Regional specialists	18
Officers-in-charge	48
Field safety investigators	103
Clericals (approximation)	22
Total	200

As can be seen, in spite of the increased responsibilities placed upon the motor carrier safety program, the 1982 field safety investigator staffing level of 103 positions compared to the 1967 level of 95 does not even remotely demonstrate sound management of a program which is totally different from other highway programs.

There are two full and two part-time clericals funded. Agency funding procedures provide that the cost of support personnel be paid under the GOE account with reimbursement to include 4 percent overhead factor.

Because of the placement of Motor Carrier Safety, this is a complex chain of command within the organization. The agency has perceived various organizational structures involving officer-in-charge concept ex-

cept the current division administrator in which case there is no necessity for doing so.

In summary, the motor carrier safety program is, in many ways, the victim of fragmentation of authority. Good management, uniformity, and cohesiveness in the motor carrier safety program can best be achieved by removing extraneous agency levels from the hierarchy.

I solicit the help of the subcommittee in my recommendation for action and I thank you for the opportunity to express my views and will be pleased to answer any questions that you may have or provide further details at a later date.

My address is on the front of my statement.

Mr. HARDIN. Thank you for bringing this to the attention of the subcommittee. We will certainly convey your testimony to Chairman Andrews.

[The statement of Mr. Poquiz follows:]

STATEMENT OF FAUSTINO POQUIZ, JR.

I would like to say at this time that I deeply appreciate the opportunity to appear here today before your Subcommittee.

As a matter of introduction, I had been a Federal safety investigator for the U.S. Department of Transportation-Office of Motor Carrier Safety (FHWA) for six years until September,1982; stationed during that time within FHWA Region 3 in Maryland, West Virginia, and Pennsylvania. Prior to my government service, I had been an Associate Engineer for Western Electric Company involved in Systems Analysis and Equipment Engineering at their Eastern Regional Headquarters in Baltimore,MD for two years.

The purpose of my appearance before you today as a former Federal investigator is to cover the role and responsibilities of the transportation safety program known as Motor Carrier Safety (MCS), which is currently being administered by the Federal Highway Administration. With over six years experience with the Department of Transportation as an investigator, and being familiar with this Program, I feel that my testimony before your Subcommittee will present a balanced insight into the Federal Highway Administration, its handling of vital transportation safety issues, and the importance of keeping a strong transportation safety enforcement program within the Federal scope of responsibilities.

After hearing my testimony and answering any questions which you might have, I hope your Subcommittee will determine that there is an urgent need to increase the funding of the Motor Carrier Safety Program, obligate the hiring of more enforcement personnel, and pursue a different management structuring of Motor Carrier Safety which is efficient and sound; as well as the relocation of the Motor Carrier Safety Program to a more compatible regulatory enforcement Agency.

INTRODUCTION-

For nearly 15 years since the Federal Highway Administration was given the responsibility for management of the Motor Carrier Safety Program, the Agency has considered Motor Carrier Safety only an insignificant responsibility which has been consistently ignored and its priorities made subordinate to those of the other highway construction programs. This has resulted in the continued downplaying of its needs for increased funding, qualified enforcement personnel, and support staff. Numerous studies and reports by the General Accounting Office, Office of Inspector General, National Transportation Safety Board, Office of the Secretary of Transportation, and independent contractors(which further report State comments) have had critical comments on the Federal Highway Administration's present and future management of this Program and the Agency's regard for the Public needs.

RESPONSIBILITIES-

In 1967, while the Motor Carrier Safety Program was in transition from the Interstate Commerce Commission to the Department of Transportation (FHWA), the ratio of commercial vehicles to field investigator was 21,700 to 1. By 1975, this ratio had become 32,500 to 1. Currently, there are about 170,000 carriers with a total of 3.5 million vehicles subject to Motor Carrier Safety jurisdiction resulting in a ratio of approximately 33,980 to 1 field investigator. In addition to these carrier/vehicle figures, there are over 12,000 shippers of hazardous materials of all descriptions which have innumerable shipping facilities across the United States. Furthermore, Motor Carrier Safety jurisdiction has drastically increased since 1967 with the 1980 extended DOT-EPA coverage over the shippers and carriers of Hazardous Wastes and Substances as well as the increased coverage over certain wholly intrastate carriers of hazardous materials as a result of the Motor Carrier Act of 1980.

As can be seen, the load placed upon the Motor Carrier Safety Program and its staff is enormous. However, the Federal Highway Administration never increased the Motor Carrier Safety Program staffing and funding adequately to provide for a sound transportation safety system compliance enforcement program.

STAFFING-

When the Motor Carrier Safety Program was transferred to the Department of Transportation (FHWA) in June,1967, there was a Regional field staff of 122 positions. This consisted of 95 investigators, 6 Regional Directors, 4 Trial Attorneys and 17 clericals. Within three months time, by end of FY-67, FHWA had reduced the field staff to 92 positions. By the end of FY-82, the Agency had allowed Motor Carrier Safety to have a field staff of only 200 positions. This is broken down as follows:

Regional Staffing	
Associate Regional Administrators for Motor Carrier Safety	9
Regional Specialists	18
Officers-in-Charge	48
-Field Safety Investigators-	- 103 -
clericals (approximation)	22
TOTAL	200

As can be seen, in spite of the increased responsibilities placed upon the Motor Carrier Safety Program, the 1982 field Safety Investigator staffing level of 103 positions compared to the 1967 level of 95 does not even remotely demonstrate sound management of a program which is totally different from other highway programs.

Concerning the issue of clerical staff, a sufficent number of clerical staff is directly related to the ability of a regulatory enforcement program to function adequately. However, the Federal Highway Administration provides for only 22 full time clerical personnel which are listed under the Motor Carrier Safety Appropriation Account. The Agency does provide a small additional number of clerical staff but these personnel are retained by the Agency under their General Operating Expense Appropriations Account.

In Federal Highway Administration Region 3, the Motor Carrier Safety enforcement personnel have clerical staff available only at the following locations:

Location	MCS Enforcement Personnel	Clerical
-Associate Regional Administration	3	1 (GOE Appropriation Acct.)
Pennsylvania		
Harrisburg	4	1 (GOE Appropriation Acct.)
Scranton	1	- (must send work to Harrisburg)
Philadephia	2	- (must send work to Harrisburg)
Pittsburg	2	- (1 part-time clerical on MCS Appropriation Acct.)
Total	9	
Virginia		
Richmond	4	- (1 part-time clerical on MCS Appropriation Acct.)
Norfolk	1	- (must send work to Richmond)
Roanoke	1	- (must send work to Richmond)
Total	6	

Maryland		
Baltimore	3	- (must rely on Agency Divisional
Total	3	clerical staff)
West Virginia		
Charleston	2	- (must rely on Agency Divisional
Total	2	clerical staff)
Delaware		
Dover	1	- (must rely on Agency Divisional
Total	1	clerical staff)

As can be seen, for a Motor Carrier Safety enforcement staff of 24 personnel, only 2 full-time and 2 part-time clericals are exclusively reserved for their usage. With the multitude of enforcement actions, reports, memoranda,etc., which are submitted by the Motor Carrier Safety staff, large delays occur between the time the investigation is completed and the time the enforcement report is received at the Regional Office. These delays are solely the result of the clerical staff being so severely overburdened with the workload given to them. Even for the Motor Carrier Safety staff which must rely on Agency Divisional clerical staff, the Motor Carrier Safety work must take its place in line with all other Agency Divisional work. The Agency refuses to notice the overwork on the Motor Carrier Safety clericals while it continues to pursue its staffing reductions which includes clerical cutbacks in its other highway programs. Its indifference demonstrates the absence of sound management practices when enforcement actions are jeopardized due to timeliness in filing. This clerical arrangement is typical in other Federal Highway Administration Regions.

In regards to the funding of these and other personnel which the Motor Carrier Safety Program is required to use, the Agency's funding procedures provide that the cost of these support personnel be paid for in the General Operating Expense account with a subsequent reimbursement from the MCS Appropriation. This cost further includes a 4 percent overhead factor for providing these clericals and other services.

Increased staffing authorization is also dependent upon increased funding. Thus, the Agency's past and present failure to request sufficient funding to provide for increased hiring of field enforcement personnel and clerical support adversely influences the current public safety. Current field staffing is just not adequate for carrying out the mandated responsibilities in a comprehensive, effective and timely manner; which would have been a demonstration of a coherent program.

MANAGEMENT-

The organizational structure of the Motor Carrier Safety Program within the Federal Highway Administration shows a complex and awkward chain of command from the Bureau of Motor Carrier Safety in Washington,DC to the Regional Motor Carrier Safety Office(s), and from there to the individual MCS field offices. Rather than utilize management practices which call for reducing and simplifying supervision over a small staff, the Agency requires use of its complex management structure (which is justified for command over its massive engineering construction staff). This requires the channeling of any plans or initiatives from the Bureau of Motor Carrier Safety through the Agency's supervisory structure in Washington,DC to the Federal Highway Administration regional personnel and then to the Motor Carrier Safety Regional Office and finally to the individual field offices-If, it is agreeable to the Agency Regional Administrator.

Because of the placement of the Motor Carrier Safety Program within the Federal Highway Administration, there is substantial autonomy by the Regional Administrator over the Program. The Regional Administrator has more direct command and authority over the Motor Carrier Safety field program than the Director of the Bureau of Motor

Carrier Safety has. This has resulted in nine regional programs and the lack of homogeneity has made it more difficult for Motor Carrier Safety to develope a consistent, cohesive National regulatory enforcement program. The Regional Administrator's control extends also to approving travel funds and other resources for the individual Regional Motor Carrier Safety program.

In mid 1978, the Agency realligned the Motor Carrier Safety Program through the creation of another administrative tier-the Officer in Charge (OIC) concept for each state Motor Carrier Safety program. The purpose of the OIC concept was primarily to promote State and local program adoption of the Federal Motor Carrier Safety Regulations and the Hazardous Materials Regulations. If there are other Safety Investigators in the state, the OIC would be supervisor over them. When possible, the OIC would attempt to follow a limited Motor Carrier Safety work program.

In late 1979, the Office of Inspector General determined that the OIC concept has effectively reduced the limited investigative force by one-third with little significant improvement in operational efficiency. Their review indicates that the OIC concept has only produced another layer of supervision in which the benefits of increased control of operations over an already too small staff has further reduced its small program productivity since implementation. These views are repeated in the Mark Battle Associates report of 1981.

The Agency has now begun to further add to this complex chain of Agency command, placing each state Motor Carrier Safety staff and OIC under the individual Division Administrator. This is supposedly due to the decision to have the Division Administrator become involved in the promotion of the Motor Carrier Safety Program to the states and administer any possible state grant program for enforcing the Motor Carrier Safety Program at the state level. This channeling of command throughout the Agency's entire supervisory engineering structure leads to unreasonable influences over the program. As brought out earlier regarding the role of the Agency's Regional Administrators, 9 autonomous regional programs would now be further increased to 50 autonomous programs when the Division Administrators are brought into management of the Motor Carrier Safety Program. This would further increase the difficulty in achieving any semblance of a National regulatory enforcement program.

Additionally, there is no necessity for doing so since the OIC concept was specifically implemented for that purpose in 1978. To do so would not be cost effective as the supervisory engineering personnel are solely adept at engineering concepts but are lacking in the skills and understanding needed for a highly complex regulatory enforcement program. In the near future, the completion or reduction of highway programs will result in the decline of the Division Administrator's ability to influence the states and negate the need to involve them in administering the Motor Carrier Safety Program.

In summary, the Motor Carrier Safety Program is, in many ways, the victim of fragmentation of authority. Good management, uniformity and cohesiveness in the Motor Carrier Safety Program can best be achieved by removing extraneous Agency levels from the hierarchy.

MORALE-

The Agency's lack of sound program management has had a serious adverse impact on the morale of the Motor Carrier Safety investigative staff. In spite of the continued and increased responsibilities, the Motor Carrier Safety staff is plagued with continued reductions of its staff (while being continually well below its authorized National

ceiling), limited travel funds, lack of sufficient clerical support, and unsound relocations of Safety Investigators in some Regions away from high density transportation population areas to the Agency Division offices. This becomes more demoralizing when the Safety Investigator programs of the other DOT Administrations have far greater staffing, funding and support compared to the Motor Carrier Safety Program limitations.

Of great concern is the reduced grade structure of the field investigative staff as a result of the Agency's unwillingness to recognize the efforts and achievements of the field Safety Investigators and support and higher grade level. Currently, the highest grade the field Safety Investigator may achieve is GS-11. This was a reduction from a GS-12 which existed earlier but the Agency refused to support. To the Motor Carrier Safety Investigators, this is unbelieveable when safety investigator positions in the other DOT Administrations have grade potential of GS-12; yet do not perform investigations as complex as the Motor Carrier Safety Investigators, or be involved in controversial Hazardous Waste/Substance issues. (Furthermore, the position of a fully experienced and qualified inspector in the Federal Railroad Administration is classified no lower than GS-12 by law. P.L. 96-423). This impedes the ability to recruit and retain qualified enforcement personnel.

In spite of these severe limitations, the Motor Carrier Safety investigative staff have strived to honor its mandated responsibilities. This effort has manifested itself in the Safety Investigator staff working excess hours to achieve the program goals and insure the public safety. In FHWA Region 3 alone, the additional hours worked by the Motor Carrier Safety investigative staff were well in excess of 2,000 hours. Additionally, while other DOT Administrations have more safety investigative staff than the Motor Carrier Safety Program, Motor Carrier Safety has a higher percentage of Hazardous Materials enforcement actions. In a 2 year period (from August,1980 to December,1982), RSPA's Hazardous Materials Newsletters gave 282 examples of enforcement actions for Hazardous Materials violations. Of this, 197 were initiated by the small Motor Carrier Safety enforcement staff- 70 percent of the reported actions!

SUMMARY-

I believe it is in the national interest that the Motor Carrier Safety Program and field offices remain functioning with increased staff. The usage of its investigative staff for applying safety systems analysis procedures will not only remain but increase in proportion with the inspections of vehicles and company sites. Safety systems failures are not detectable from a single inspection; but from a comprehensive examination of the company's overall violation areas.

In view of this information, I solicit the help of this Subcommittee in establishing higher enforcement personnel and funding levels, higher field investigative grade levels to recruit and keep competent enforcement personnel, and a new change in the structure and placement of the Motor Carrier Safety Program in another Agency which is well knowledgeable and competent in the administration of regulatory enforcement programs.

I thank you Mr. Chairman for the opportunity to express my views and would be pleased to answer any questions you may have or provide further details at a later date.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF LEWIS W. HILL, CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. HARDIN. Finally, we come to Lewis Hill.

Mr. Hill, while you are coming to the table, let me state the committee's regret that the earlier witnesses ran overtime. Senator Andrews had another commitment at noon.

You may be assured your statement will appear in full in the record.

Mr. LEWIS. Chairman Andrews, members of the committee, I am Lewis W. Hill, chairman of the board of directors of the Regional Transportation Authority.

On behalf of the RTA, I appreciate the opportunity to appear before you now to address concerns regarding continued Federal operating assistance and capital funding in the proposed fiscal year 1984 Department of Transportation budget.

Rather than take the time to give you background information, I have with me copies of a fact book which will provide you with basic information regarding the RTA.

I am here today to present to you some key points to consider why it is imperative that Federal operating assistance and capital funding is appropriated at the authorized levels provided in the landmark legislation enacted last year. My testimony will focus on the following points:

One, Federal operating assistance.

Two, capital funds vital to maintaining and upgrading our mass transit system.

Three, the need for continuity and stability in a funding source as established by the Surface Transportation Assistance Act of 1982.

At a time when our Nation is moving toward a global economy, the notion that regional mass transportation can be wholly supported at the State and local level must be reevaluated.

Mass transit has become a vital public service and performs a significant role in meeting a broad range of social, national, and economic objectives. A strong urban mass transit system is a critical element in the national effort to conserve energy, reduce inflation, provide employment and foster economic recovery.

The RTA already has one of the highest fare box recovery percentages in the Nation—55 percent. Fare increases have pushed mass transit to the point of diminishing returns. For every additional dollar raised at the fare box, there is an attendant decline in ridership.

Increased fares and/or major service cutbacks have substantial social impacts. Those people who have no alternative to mass transit and those who are least able to pay, suffer the most.

Should the burden of providing operating assistance to urban mass transit fall entirely to the cities and the States, the disparity between mature industrial areas and growth areas of the West and South is likely to increase. Cities with older transit systems are most in need of help in operating, maintaining, and rebuilding their systems.

In a labor-intensive industry such as transit, manpower costs come under immediate attack. Even though the number of jobs provided by transit increased significantly in recent years, labor costs did not increase proportionately.

Between 1975 and 1980, total number of jobs increased 18 percent while total labor costs, in constant dollars, increased only 3 percent. In actual dollars, labor costs increased 55.8 percent between 1975 and 1980 and the Consumer Price Index increased 53.1 percent.

The resulting 2.7-percent increase in labor costs over the rate of inflation, placed against an 18-percent increase in the number of jobs, suggests that overall the compensation of employees in the transit industry is not out of line.

Many increased labor costs can be attributed to the demands of programs nonexistent 20 years ago; affirmative action, special programs such as elderly and handicapped, reporting procedures relating to Federal, State, and local funding, urban planning and development, energy and environmental issues, and many, many more.

What is called for is not an elimination of operating assistance but a recognition that Federal requirements added to our operating costs.

It was the RTA Board's decision not to divert capital funds to operating assistance. But any further cuts from the present level of operating assistance would be detrimental.

The second key point I would like to make is that without the full level of capital funding established by the 1982 Transportation Act, the RTA will be unable to implement the needed capital projects to maintain and improve our system.

It has been estimated that the replacement cost of existing capital structure, excluding land value, for the northeastern Illinois region is $15 billion; and that using certain private industry capital investment strategies, the annual investment to rehabilitate and improve these capital assets should be a minimum of $360,000,000.

Anything less than the full level of funding as authorized in the 1982 transit legislation will greatly jeopardize our capital assets.

Following good business practices, the RTA does extensive planning. Our budget projections are done for a 5-year period. It is extremely important to be able to have a predictable level of funding to be better able to plan and utilize our resources to the fullest extent. The 1982 transit legislation recognized this need.

In Illinois, we have the sixth highest unemployment rate in the Nation. As of February 1983 the unemployment rate in our State was 13.8 percent; in the northeast Illinois area, 12.4 percent.

The national average was 10.4 percent. In this period of high unemployment, it would be especially beneficial to our region, our State and our Nation to implement job intensive projects to help alleviate unemployment.

Since the RTA was formed, we have consistently initiated cost saving measures, such as consolidated fuel purchases, insurance premiums, et cetera, and many others you can find listed in the fact book.

We have endeavored to meet the diverse needs of our six-county area with both traditional and nonconventional service. For example, the RTA has one of the most innovative paratransit systems in the country serving low density population areas, the elderly, and the handicapped.

To continue the present level of service and to be able to meet the challenge of providing future needs in mass transit, we need continued operating assistance and capital funding.

The strength of the country, rural as well as urban, depends on the viability of the urban areas. The Federal Government must continue its commitments to mass transit by providing the full funding as authorized in the Surface Transportation Assistance Act of 1982.

Thank you.

Mr. HARDIN. Thank you very much for appearing here today.

[The following statements were submitted for the record:]

STATEMENT OF KARL G. HARR, JR., AEROSPACE INDUSTRIES ASSOCIATION OF AMERICA, INC.

The Honorable Mark Andrews
Chairman
Subcommittee on Transportation
Committee on Appropriations
United States Senate
156 Dirksen Senate Office Building
Washington, D.C. 20510

April 26, 1983

Dear Mr. Chairman:

The Aerospace Industries Association of America, Inc. (AIA), the trade association representing the nation's major manufacturers of aircraft, aircraft engines and related components and equipment, would like to take this opportunity to urge your support and approval of the full authorized levels of Airport and Airway funding, from the Aviation Trust Fund, for Fiscal Year 1984. Those levels -- $993.5 million for the Airport Improvement Program (AIP), $1.393 billion for the Airways Modernization Program (Facilities and Equipment) and $286 million for Research, Engineering and Development -- were enacted last year under Title V (Airport and Airway Improvement Program) of Public Law 97-248, and subsequently amended under Public Law 97-424 (Surface Transportation Assistance Act).

The Administration's FY 1984 budget request, however, falls significantly short of the statutorily authorized funding levels for both the airport and facilities and equipment (F&E) programs. This is particularly disappointing to the member companies represented by AIA who, along with a majority of members of the larger aviation community, worked closely with both the Congress and the Administration on the provisions of last year's Airport and Airway Improvement Program. The successful enactment of that program -- under Public Law 97-248 -- represented a consensus among all parties on increased aviation user taxes to support modernization and improvement of the nation's airport and airway system.

Users of the airport and airway system are abiding by the terms of the agreement reached during the 97th Congress, providing the increased tax revenues which fully fund both the airport and F&E programs. The Administration, on the other hand, has not similarly followed through on its commitment; the submitted FY 1984 budget for the Department of Transportation would cap AIP funding at $700 million and F&E at $1 billion -- $293.5 million and $393 million, respectively, below the authorized levels enacted into law.

We do not believe that the Administration has adequately justified such lower funding levels. There currently exists a large backlog of high priority airport safety and capacity projects, previously reviewed and approved by the Federal Aviation Administration (FAA), to which the authorized $993.5 million in AIP contract authority could be committed in FY 1984. Furthermore, while the FAA has argued that delays in procurement for the airways modernization effort counsel a reduction in the authorized funding for F&E, we believe that the full airways funding level set out in P.L. 97-248 could be prudently expended on other needed airways procurements during the upcoming fiscal year. Representative airways projects that could be funded within the FY 1984 authorized level are listed on the attached charts, which were prepared by the Air Transport Association.

The inclusion of a "penalty clause" in P.L. 97-248, which would reduce the level of Trust Fund coverage for FAA operations and main-

tenance (O&M) expenses in the event that appropriated funding for airport and airway capital programs falls short of authorized levels, was designed to preserve an appropriate balance between capital and non-capital Trust Fund expenditures. Consequently, as a practical matter, it falls to the Congressional Appropriations Committees to enforce this stipulated penalty in any year in which the full authorized funding for capital projects is not provided.

The Airport and Airways Improvement Program Title of P.L. 97-248 represents an acknowledgement of the critical need to maintain and improve the national airport and airway system. The House Public Works and Transportation Committee, in recommending full authorization levels for these programs in FY 1984 to the House Budget Committee, noted that "To not follow through on this funding commitment seriously jeopardizes the validity of the user fee approach to federal capital development funding."

The U.S. aviation system undergirds the entire national economy, benefitting not only those who fly, but also those who depend on the mails, the rapid transport of goods, and protection by the military -- in short, every American. Consequently, we urge you to support adoption of the full authorization levels for airports and airways in FY 1984, as already financed by aviation user taxes.

Yours very truly,

/Karl G. Harr/

Karl G. Harr, Jr.

Attachment

TABLE OF SELECTED ITEMS

FY-1984 FAA FACILITIES AND EQUIPMENT (F&E) BUDGET

(Dollar Figures in Millions)

Item Number 1/	Name	FAA 3-17-82 Testimony (for FY-1984)	FAA Budget Request (Jan. 1983)		Recommended Increase	
			Amt.	Qty.	Amt.	Qty.
1.a.(2)	Radar Microwave Link (RML) System Replacement, Expansion/Netting	$ 48.8	$ 38.8	200	$ 50.0	260
1.c.(1)	Replace Air Route Traffic Control Center (ARTCC)/ Remote Center Air/Ground (RCAG) Signaling/Control (Tone) Equipment	26.7 (55.9) 2/	30.7		25.0	
2.a.(1)	Provide Mode-S Surveillance and Data Link Capabilities	106.2	114.2	75	70.5	45
2.a.(2)	Terminal Airport Surveillance Radar (ASR) Program - (ASR-9's)	87.1	100.0	25	280.0	70
2.a.(3)	Establish/Replace Airport Surface Detection Equipment	42.7 (76.7) 3/	28.1	8	2.5	7 4/
4.c.(2)	Provide Approach Lighting System Improvement Program	20.5	13.2	19	7.3	11

Item Number 1/	Name	FAA 3-17-82 Testimony (for FY-1984)	FAA Budget Request (Jan. 1983) Amt.	Qty.	Recommended Increase Amt.	Qty.
4.c. (new)	Provide Solid State Instrument Landing Systems (ILS's) as Replacement for Obsolete Equipment 5/ 9/	-	-		$ 32.4	81
4.c. (new)	Provide Solid State Instrument Landing Systems (ILS's) at Locations where Back Course Approaches are to be Decommissioned 6/ 9/	-	-		12.5	25
4.c. (new)	Provide Solid State Instrument Landing Systems (ILS's) or Components at Locations where Immediate Operational Need Exists 7/ 9/	-	-		5.8	9
4.c. (new)	Upgrade Category II Instrument Landing Systems (ILS's) to Provide Fail Operational Category IIIb Service 8/ 9/	-	-		7.0	10
			Total Recommended Increase -		$493.0	

Authorized before 10-1-84	$2,379 Million
Appropriated FY-1982 & 1983	- 886 Million
Available for FY-1984 Appropriation	1,493 Million
Administration Request for FY-1984	1,000 Million
Additional Amount Available for Appropriation FY-1984	$ 493 Million

Notes:

1/ Items numbered in accordance with Pages 241, 253 and 273 of FAA FY-1984 budget submission.

2/ $55.9 million is the $29.2 million planned for FY-1983 which was deleted from the budget, plus the $26.7 million planned for FY-1984.

3/ $76.7 million is the $34.0 million planned for FY-1983 which was deleted from the budget, plus the $42.7 million planned for FY-1984.

4/ Recommendation for off-the-shelf procurement of a total of 15 units.

5/ This upgrading to solid state ILS equipment is necessary to insure continuation of service when the obsolete tube-type equipment can no longer be maintained. It is understood that FAA currently plans to replace only 133 tube-type equipments. The budget item of 81 is intended to provide for replacement of the remaining tube-type ILS equipments (full and partial) at this time. Replacement with ILS rather than MLS is necessary in order to provide service to aircraft which are only equipped to receive ILS and will not be MLS equipped for some time in the future.

6/ As a result of prior year ILS replacement funds, modern equipment is being installed which no longer provides a back course signal usable for approaches to the opposite end of the runway. At most locations previously having a back course approach, wind and weather conditions dictate use of that end of the runway on a regular basis. The proposed increase would provide an ILS on these runways in order to maintain service when the back course is removed.

7/ Additional ILS service is also needed on select runways not covered by the above two items.

8/ Users have invested substantial amounts in airborne ILS equipment intended to provide Category IIIb all-weather operating capability. An additional 10 ground facilities need to be upgraded to fail operational Type III capability in order to permit full use of the airborne equipment, and to obtain its advantages.

9/ FAA specifications for this equipment are believed current, and contracts can be let without the significant manpower needed to develop a new specification.

STATEMENT OF MICHAEL SETZER, GENERAL MANAGER TRANSIT, BI-STATE DEVELOPMENT AGENCY

Mr. Chairman and members of this subcommittee, thank you for the opportunity to appear before you as part of APTA's witness team to explain the efforts we have made in the St. Louis metropolitan area to solve transit's growing financial problems, the outlook through 1988, and to answer any questions.

Bi-State Transit provides bus service in two states, logging 200,000 passenger trips each weekday with a fleet of 1,000 buses. Its area encompasses St. Louis, Missouri; East St. Louis, Illinois, and many surrounding communities. The Bi-State Transit Company faces the same predicament that any business would face if one-fourth of the businesses' income was withdrawn in a short period of time while costs in that same time increased. This is in fact the case at Bi-State where federal operating subsidies have plunged from the fiscal year 1980 level of $22.7 million, which was 28% of an $82 million budget, to the administration proposed level of $2.5 million in fiscal year 1984, 3% of an $83 million budget.

To survive we've responded much as any business would by cutting overhead and seeking to increase revenue. In the past year and a half, 112 administrative jobs, one-third of the administrative staff, have been eliminated. Bus fares have increased three times in less than three years and have tripled in price during that time. Raising fares has reached a point of diminishing returns because as a consequence we have lost riders. Service has been reduced as a cost cutting measure, from 159 bus routes per day using over 800 buses during the peak hours, to 132 bus routes with 629 peak hour buses. At a time when transit should be gearing up to prepare for the next inevitable energy crunch, we are being forced to move in the wrong direction.

We are trying innovative management techniques such as purchasing fuel on the monthly spot market, issuing revenue anticipation notes and selling depreciation on new buses. We asked our employees to come up with $1.5 million in tangible savings this year and they have done so. We are working toward a new labor contract that will keep more employees working while helping combat upcoming budget deficits.

Through these and other actions, the transit budget that we propose for fiscal year 1984 will remain at about the same level as the budgets for the two previous years, even though costs, particularly for labor, have increased significantly.

Admittedly, these kinds of savings and adjustments were overdue and should have been made to benefit the taxpayer. But the service cuts and fare increases have had a debilitating effect on transit ridership. There probably will be additional opportunities to

become more efficient, but they are becoming harder to find, and without help we will ultimately have to resort to massive service cuts. Cutting service and raising fares are a formula for going out of business.

Bi-State transit's operating budget outlook for fiscal year 1984-1988 projects a total unfunded deficit of $49.5 million after all known revenue sources have been applied. No combination of management efficiencies or fare increases can begin to cover so large a deficit. The remaining option is further reductions in service.

Transportation is the life blood of an urban environment such as St. Louis. A great many people in this area of double-digit unemployment are totally transit dependent. In St. Louis the last census showed that we lost more population than other urbanized areas of comparable size. This means the new formula for apportioning federal transit funds will cause us to lose even more federal money since it is half population based.

We've done our best in St. Louis and will continue to do our best to become more efficient. Without federal assistance we will be forced to withdraw a crucial service from our citizens. Hardpressed local taxpayers are already carrying a great share of our expense and are unable to shoulder any more. If the federal government will come forward now with full funding it will allow us to close the gap between income and expense and maintain present service levels.

We urge the members of the Transportation Subcommittee to support full funding of transit programs in fiscal year 1984 at least up to those levels provided for in the recently enacted Federal Public Transportation Act of 1982.

STATEMENT OF IOWA GOVERNOR TERRY BRANSTAD, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION

I appreciate the opportunity to provide testimony on behalf of the National Governors' Association and its Committee on Transportation, Commerce and Technology. Continued funding for three essential rail assistance programs was a subject of discussion at our 1983 winter meeting. As NGA's Lead Governor for Rail Freight Transportation, I want to share with you the concerns expressed.

A Decade of Tough Decisions

The past decade has been very difficult for the railroads, producing an industry which has undergone substantial change and reorganization just to survive. It has been a period of uncertainty, characterized by system reevaluation, substantial miles of track abandonment, and resulting loss of service. These experiences are not isolated to the Northeast or Conrail, but have also affected the Midwest, with the bankruptcy of the Rock Island, and the West with the loss of the Milwaukee Road.

The past several years have also been a time of tough decisions in the states. State economies, racked by recession-induced revenue shortfalls, have been hard-pressed to accommodate expanded demand for basic and essential services. A mid-February survey of all fifty states, conducted by the Associated Press, found that twenty-two states have

budget deficits totalling $5.8 billion. While all states by law or tradition are prohibited from ending their fiscal year in deficit, thirteen states are expected to end the fiscal year with zero balances. Achieving even this precarious fiscal situation will require new spending deferrals and tax adjustments. At the time of the survey thirty-three states had either already raised taxes or had legislation pending before state legislatures to raise taxes. Governor Scott Matheson, Utah, aptly characterized our current dilemma in saying, "every state is in the throes of complete economic despair right now."

While we are hopeful, fiscal conditions in the states are not likely to improve rapidly. Improvement in state economies typically lags six months to a year behind national recovery, in part because of states' greater reliance on economy-sensitive revenue sources like sales, income and property taxes. So even the initial seeds of recovery represented in selected recent national economic indicators will take somewhat longer to be felt at the state level.

Economic Recovery Linked to Good Transportation

As we grapple with these problems and anticipate the long-sought recovery, we must renew our efforts to promote long-term economic growth. One of the cornerstones to sustained economic recovery is an efficient transportation system which allows farm and business products to reach markets, thereby supporting jobs, creating income, and generating tax revenues. Our ability to ship commodities to world markets, particularly bulk mineral and agricultural exports, is especially dependent upon rail transportation.

The economic future of this nation and our ability to compete in world markets are tied directly to efficient rail transportation. Federal legislation has recognized this economic importance. Passage of the Regional Railroad Reorganization Act of 1973 ("3R" Act), the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act), and the Staggers Rail Act of 1980 provided the basic framework and resources necessary to assist the rail industry and the states during a period of rebuilding and reorganization. Significant advances have been made during the past ten years toward the statutory goal of "...revitalization of the railway system so that this mode of transportation will remain viable in the private sector of the economy..." The Staggers Act went further, to define a national interest in fostering a strong system of self-supporting feeder railroads.

Congress attempted to balance the needs of the railroads, shippers, local communities and the public in establishing three essential remedies:

1) the Local Rail Service Assistance Program (Section 803 of the 4R Act of 1976);

2) the Redeemable Preference Share Program (Section 505 of the 4R Act of 1976);

3) the State Participation Program in Rail Safety (Section 206 of the Federal Rail Safety Act of 1970).

The Administration's budget calls for elimination of support for these rail programs. To place rail assistance in perspective, federal aid to transportation represents less than 3 percent of total federal subsidies. Railroads receive a small portion of this sum, with the largest amounts going to Amtrak and Conrail. The proposal to zero out these programs challenges us to evaluate their objectives and defend those aspects of the programs that continue to make a vital contribution to American commerce.

Reassessment of Government's Role

We do need to stand back and assess what has been accomplished and what government's future involvement in rail programs should be. All of us can point to some major accomplishments — and even some failures. That is what progress is built upon. We have experimented during the past ten years with two basic approaches for solving our national rail problems. The first called for massive federal involvement, grants and even outright public ownership. The second concentrates on private sector responsibility.

The Conrail experiment served its purpose — to preserve essential rail service in the industrial heart of the nation. However, in evaluating this program, Congress determined that its application to other regions would fit neither the taxpayers' pocket book nor the states' restructuring timetable.

The second approach utilizes an industry or private sector solution, with limited federal involvement and assistance. State and local governments, the shippers and the rail industry are generally satisfied with the results this shift in direction has produced. It provides all affected parties a greater role in determining priorities and achieving specific goals. Most states and railroads are continuing their efforts to improve and preserve rail service with limited federal assistance.

Substantial progress has been made, yet all regions of the country still face significant rail transportation problems that diminish their capacity to operate productively. These problems include: financing major track improvements and capital rehabilitation and acquisition needs; return of Conrail to the private sector; the impact and benefits of major railroad mergers; movement of hazardous materials; rail safety concerns; intermodal competition and subsidization; the role of rail transportation in relationship to national highways and waterways policies; and retention of railroads in the private sector.

Framework in Place

All these problems are addressed in some degree by the Local Rail Service Assistance Program, the Redeemable Preference Share Program and the State Participation Program in Rail Safety. Let me highlight the importance of each program and illustrate their contributions to the states and the national economy.

Local Rail Service Assistance Program (LRSA) (Section 803)

The so-called "branch line assistance" program is a state-federal cooperative effort initially established in 1975 to assist states in the Northeast and Midwest to continue essential rail freight service after the failure of the Penn Central. In 1976, eligibility was extended to states throughout the nation to preserve service threatened with cessation. The current program funds state projects for track rehabilitation, acquisition of rail lines or properties and other efficiency-promoting or cost-reduction methods, including substitute service and rail facility construction. States have the option to pass the funds to the railroads as grants or loans for track rehabilitation. Most states secure aid from local communities, shippers and railroads to provide the 30 percent non-federal match for these funds.

States must meet specific and detailed Federal Railroad Administration planning requirements prior to receiving funds. The "State Rail Plans" must address all rail services, including passenger service, within the state. The plans serve as a basis for monitoring the program implementation as well as ascertaining assistance eligibility. Distribution of funds is based on eligible relative miles of railroad track within each state, with a one percent minimum apportionment of total funds per state.

Congressional appropriations through fiscal year 1983 for the local rail program total $435.6 million, including funds deferred in recent years. As of 1980, states had obligated $274 million out of total of $332 million of that, $78.6 million or 29 percent went to short line railroads (Class II) and $195 million to large railroads (Class I). The principal recipient railroad was Conrail with a total of $96.4 million.

Deregulation Created Demand for Branch Line Aid

The Staggers Act in 1980 deregulated the railroads and substantially relaxed rail abandonment procedures. The abandoned branch lines represent the largest category of 803 fund recipients. Not surprisingly, large railroads have gone the way of the airlines after deregulation and have abandoned significant amounts of branch line track. Many branch lines are unprofitable in the context of national long-haul systems due to labor, operating and management factors. Conversely, these same branch lines may be quite profitable to short line railroads that can employ cost-saving techniques, use more suitable equipment and maintain lower overhead. This is analogous to national air carriers leaving the small city markets to regional carriers, some of which have become highly profitable even during a recessionary period. The local rail program can bridge the gap between branch line abandonment by a large railroad and entry of a short line. Capital necessary to restore these lines to operating standards is often not accessible to the short line railroad, without financing provided under the local rail program.

A branch line's value is that it feeds traffic from local shippers to a mainline, often fewer than one hundred miles in distance. A 1979 Association of American Railroads study identified 352 short line railroads which originated approximately 40 million tons of freight carried in 611,000 freight cars. The trade association's estimates were based on data in the Federal Railroad Administration's published Waybill Sample. While both tonnage and volume figures each equal roughly three percent of the total freight transported by rail, the study concluded that the importance of freight moved by small railroads must be measured in terms of its value to dependent local shippers and communities that may otherwise be isolated from market mainstreams.

More important than the absolute volume carried by short lines is their share of total originating tonnage, which increased by 48 percent between 1972 and 1979, with car loads increasing by 16 percent. This contrasts with a 1.5 percent increase in tonnage and a decrease in car loads for all rail carriage during the same period of time.

Essential Commodities Transported over Short Lines

The most recent information available documenting the commodity mix carried by short line railroads is presented in Table 1. Four commodity groups constitute more than 65 percent of the tons hauled by short line railroads: (1) non-metallic minerals (phosphate rock, rock salt, sulphur, clay minerals); (2) pulp and paper (pulp, paper, fiberboard, corregated paper products; (3) glass and stone (hydraulic cement, structural clay products, concrete and gypsum products, processed clay; and (4) lumber and wood (lumber, millwork, veneer, plywood, particle-board). Although bulk items comprise the dominant commodities of small railroads, the mix is dissimilar from bulk traffic of large railroads which is dominated singularly by coal.

TABLE 1
COMMODITY MIX OF TOTAL RAIL AND SHORT LINE RAILROAD TRAFFIC
(1979)

	Total Rail Originations		Short Line Originations		
Product	Tons (Thousands)	Percent	Tons (Thousands)	Percent of Short Line Tons	Percent of Total Rail Tons
Coal	350,000	26.6%	3,309	8.3%	0.0%
Metallic Ore	130,000	9.9	778	1.9	0.6
Non-metallic Minerals	127,000	9.7	11,926	30.0	9.4
Farm Products	111,000	8.4	977	2.5	0.9
Chemicals	105,000	8.0	2,187	5.5	2.1
Lumber/Wood	93,000	7.1	4,649	11.7	4.9
Food Products	88,000	6.7	2,980	7.5	3.4
Glass/Stone	57,000	4.3	5,092	12.8	8.9
Primary Metal Products	54,000	4.1	962	2.4	1.8
Pulp/Paper	48,000	3.7	5,239	13.2	10.8
Petroleum	38,000	2.9	431	1.1	1.0
Waste/Scrap	37,000	2.8	585	1.5	1.6
Transportation	27,000	2.0	101	0.3	0.4
Mixed Freight	25,000	1.9	75	0.2	0.3
Other	25,000	1.9	447	1.1	--
Total	1,315,000	100.0%	39,738	100.0%	3.0%

Source: U.S. Department of Transportation, One Percent Waybill Statistics, and Association of American Railroads, 1979.

More than 52 percent of all farm commodity exports originate by rail, according to the U.S. Department of Agriculture. The 1979 sample showed less than one percent of these commodities originated on branch lines. This substantially understates the current picture, since in my own state of Iowa one branch line project which received assistance under the local rail program annually carries more than 100 million bushels of grain; this represents 3 percent of the United States' total corn and soybean exports.

Multi-state Projects Need Coordination

Numerous other successful applications of this federal-state funding arrangement could be cited. A Milwaukee Road line and a terminal in New York State are just two. The states of South Dakota, North Dakota, Minnesota and Montana coordinated their efforts to rehabilitate the Milwaukee Road, which brings Montana coal to the Knife River Power Plant in Minnesota. The return trip carries farm commodities to ports in the Northwest for shipment overseas. It is not uncommon for minimal federal funding to facilitate development of successful financial arrangements between public and private entities on a multi-state project.

The Hunt's Point Terminal Market in New York is another regional example of the economic benefit these funds generate. The State of New York completed a $1.8 million rehabilitation project on track leading to the major food distribution center for the entire Northeast. Produce arrives from all over the country for distribution from Maine to Washington, D.C. The return on investment exceeds many times over the funds put into the project.

Funding under this program will also relieve some of the burden likely to result with Conrail's anticipated additional abandonments. Conrail has been studying 1,200 miles for abandonment under the liberalized procedures which remain in effect until September 30 of this year. It is likely that at least 400 miles will be abandoned, much of which could be considered profitable for short line railroads if an adequate level of rehabilitation assistance were available.

NGA Recommendation

The National Governors' Association recommends that Congress appropriate, as it previously intended, $80 million each year for the "803" Local Rail Service Assistance program.

Redeemable Preference Share Program (Section 505)

The Section 505 program provides federal funds directly to railroads by government purchase of redeemable preference shares. The purchased shares represent long-term loans provided to marginal and bankrupt railroads for projects involving facility improvement, rehabilitation or acquisition as determined by the Secretary of Transportation to be of public interest.

Against a $1.2 billion authorization ceiling, current purchases under the program total $531 million in shares (Table 2). Of $68.4 million in currently available budget authority, Congress has reserved $64 million for East St. Louis, and the Rock Island andMilwaukee railroads, leaving about $4.4 million in unreserved funds. The Federal Railroad Administration is currently reviewing $19.3 million in applications against the unreserved account.

Currently, the program finances maintenance of service on the Rock Island and Milwaukee Road lines in the states of Oklahoma, South Dakota, Kansas and Oregon. The Association of American Railroads estimates, however, that 99 percent of the assistance applied for under Section 505 is for facility rehabilitation rather than for equipment purchases and labor protection.

In Iowa alone, $40 million is needed now to purchase important segments of the liquidated Rock Island railroad. These demonstrated needs are in addition to the applications already submitted to the Federal Railroad Administration.

TABLE 2

SECTION 505 AGREEMENTS EXECUTED

Applicant		Agreement (in millions)
• Chicago, Milwaukee, St. Paul and Pacific Railroad Company		$ 52.7
• Chicago and North Western Transportation Company		147.5
• Illinois Central Gulf Railroad Company		166.5
• Columbus and Greenville Railway		8.9
• Chicago, Rock Island and Pacific Railroad Company		1.6
• Boston and Maine Corporation		26.0
• Peoria and Pekin Union Railway Company		5.7
• Delaware and Hudson Railway Company		4.7
• St. Louis Southwestern Railway Company		53.5
• Non Carriers:		57.8
Horper - Myron Corporation	2.1	
State of South Dakota	30.0	
Beverly Royal Slope Port District	0.7	
Oklahoma, Kansas and Texas Rail Users Association	25.0	
• Directed Service to Rock Island		5.9
		$530.8

Source: Federal Railroad Administration, 1983.

NGA Recommendation

NGA recommends that Congress fund this program at an annual level sufficient to to fulfill the commitment Congress made under the "3R" and "4R" Acts to assist the states and the railroad industry.

State Participation Program of Rail Safety

Rail safety is a serious matter to the states and the general public. States have been actively involved in rail safety inspection for many decades. The states and the federal government established a national program of uniform safety standards and enforcement as a result of the Federal Railroad Safety Act of 1970. The standards are enforced jointly by federal and state officials. However, the future of this successful joint safety program is uncertain.

The Administration proposes to discontinue its matching share of the rail inspection costs, which amount to $3 million per year. The underlying concern of the states is not exclusively the funding issue, but rather the effective preemption of the states from rail safety activities. The states have a vital interest and responsibility in transportation safety inspection that should remain with the states. We continue to believe that coordinated administration of the program should remain at the federal level, and that inspection and enforcement should be shared jointly by the federal and state governments.

NGA Recommendation

NGA recommends that Congress continue funding the state participation program at the current annual level of $3 million.

Summary

The National Governors' Association has at the top of its agenda two national priorities — the creation of jobs and strengthening the economy. As governors, we take a close look at all spending programs, to assess not only the public benefits and costs, but also their stimulus for permanent employment opportunities and for strengthening state economies. Investments made through local rail assistance and purchases of redeemable preference shares provide the bridge between the overextended and unprofitable rail industry of the past and a leaner basic core system with its feeder branch lines that will continue to serve the nation's economy.

Congress and the states have worked cooperatively with shippers, local communities and the railroads in addressing the many problems resulting from reorganization of the industry. With federal funding, railroads and the states have developed new relationships to bridge the gap left by disolution, merger and consolidation of railroads throughout the country, and by the establishment and proposed sale of Conrail. The adhesive that holds these efforts together has been the small amount of federal assistance provided under the Section 505 and 803 programs. None of the partners in this venture can do it alone, but all three working together are beginning to produce a viable national railroad system which will remain in the private sector.

The federal commitment to an orderly transition in implementing national deregulation policies must be honored. These obligations cannot be discharged to the states at a time when states are struggling with existing commitments and severe funding constraints. The states are willing to do their part toward completing the restructuring workload. But we need some time to adjust and some assistance during the transition to develop a viable railroad system that will contribute to short and long-term recovery in our state and national economies.

Again, I want to express my appreciation for the opportunity to address the concerns of the states on railroad freight transportation funding.

STATEMENT OF ROY C. HERRING, DIRECTOR, JACKSON, MISS., DEPARTMENT OF TRANSPORTATION

I am Roy Herring, Director of the Department of Transportation for the City of Jackson, Mississippi. Our primary responsibility is to administer the contract the City of Jackson has with the American Transit Corporation (ATC) to operate the Jackson Transit System (JATRAN). Our Department is also the City agency which provides the matching funds required for UMTA Operating Assistance to cover JATRAN'S operating costs not recovered from the farebox or miscellaneous revenues. These matching funds are a yearly appropriation to our Department from the City's General Fund made during the annual budget process. With no dedicated tax source to fund public transit in Jackson, our Department and JATRAN must compete on a priority basis with other Departments for the available dollars in the General Fund.

With this method of funding in mind, I would like to comment on the

Administration's proposed UMTA Budget for FY-84 with its severe restriction on Operating Assistance, and the extremely detrimental impact it would have on the Jackson Transit System and the citizens of Jackson. I also serve as Executive Secretary/Treasurer of the Mississippi Public Transit Association, and as their representative will also comment on its detrimental impact on other transit systems in Mississippi, especially the newer Rural Transportation Programs funded under Section 18. Although a reduction in UMTA Capital Assistance funds would affect the future of public transit in Mississippi, the proposed reduction and eventual elimination of UMTA Operating Assistance funds is a factor in its very survival. Therefore, I will limit my remarks this morning to this subject.

To gain the proper prospective, I believe a little background on public transit in Jackson is appropriate. Through lack of support on the part of City officials and inadequate funding, the Jackson Transit System had deteriorated to a point in FY-77 that it carried only 1,362,000 passengers as compared to 4 to 5 million in earlier years. The City's appropriation for matching funds that year was $323,974. However, in July 1977, the citizens of Jackson elected a completely new City Council, which committed itself to revitalizing the City's mass transit system. They were successful in securing passage of a Bond Issue in December 1977, which among other things provided $500,000 in matching funds for capital improvements in mass transit.

We have utilized these funds to add sixteen (16) Advanced Design Transit Coaches with wheelchair lifts to the fleet, purchased vehicles for route supervision, equipped the entire fleet of buses and other vehicles with a modern 2-way communication system, and provided six (6) vans for one of seventeen (17) Ridesharing Demonstration Projects in the Nation. With additional matching funds provided by the City, we are in the process of purchasing five (5) small lift-equipped buses to implement the JATRAN Handilift, a demand-response service for handicapped persons who are unable to utilize regular transit service. Along with these capital improvements, we have also implemented numerous service improvements such as a Park-and-Ride program for commuters that has grown to eighteen (18) sites. The result of these improvements has been very gratifying, for ridership has grown to over 2,000,000 passengers for the past three (3) years, an increase of more than 50% over FY-77. We are justifiably proud of our transit system, but it should be noted that we have been able to revitalize JATRAN through the cooperative effort of a very supportive City Council and UMTA Region IV in Atlanta, which has not only made adequate capital and operating assistance funds

available, but also technical assistance when needed. This is a partnership which must continue, but cannot do so unless the funding authorized in the Federal Public Transportation Act of 1982 is fully appropriated by the Congress.

Now to the crux of the matter. JATRAN recovers a very acceptable 40% of its operating costs from the farebox and miscellaneous revenues, which is above the national average. However, this means that roughly 30% of JATRAN's operating costs must come from the City's General Fund, with the other 30% from UMTA Operating Assistance funds. The City's contribution has grown from the $323,974 for FY-77 to over $800,000 for FY-82, an increase of over 246%. Naturally, UMTA Operating Assistance has also increased a like amount. The City's budgeted contribution for FY-83 -- which was appropriated in August of last year and cannot be increased -- is $930,000, with an equal amount needed from UMTA Operating Assistance funds. We are projecting that for FY-84 and beyond, the City appropriation for public transit will exceed one million dollars, with a like amount needed from UMTA Operating Assistance funds.

Now, I must state the bare facts and the bottom line. If the Administration's FY-84 Budget for UMTA were to be appropriated by Congress as requested -- with its 68% reduction in Operating Assistance funds on top of the 16% reduction for FY-83, and elimination of such assistance in FY-85 -- the Jackson Transit System will in all probability cease to exist, or at best provide inadequate transit service to the public. Although we are confident the City Council will appropriate the one million dollars needed to support public transit each year, there is no way it can also appropriate an additional one million dollars to replace UMTA Operating Assistance if it is withdrawn. To help overcome a sizeable projected City deficit in FY-81, JATRAN fares were raised 50% and some service was eliminated. The City also curtailed other services, and laid off 268 workers or roughly 10% of its workforce. At an Adult Fare of 60¢, we are about as high as we can go in a City of our size.

The State of Mississippi provides no capital or operating funds for public transit, nor is there enabling legislation on the books whereby cities or counties may levy taxes to support it. It does not appear that this will change in the near future, for the State is experiencing fiscal problems of its own. Our Mississippi Public Transit Association co-sponsored a bill in the recently adjourned session of the Legislature for enabling legislation to form public transit authorities and levy supporting taxes. The bill didn't even get out of committee, but we'll keep trying. As indicated earlier, the bottom line is that JATRAN cannot survive without the Operating Assistance funds the Congress authorized in the Federal Public Transportation Act of 1982.

The other urban transit systems in Mississippi will fare no better. The Meridian Transit System is supported out of the General Fund, and the City has already indicated it would like to reduce this funding, not increase it. The Mississippi Coast Transit Authority is supported by contributions from several cities and counties, but only recently one city withdrew its support because of fiscal problems. The Hattiesburg Area Ready Transit (HART) is supported by a property tax which cannot be raised.

The Rural Transportation Programs are even more vulnerable and will be in greater jeopardy without adequate Operating Assistance funds. Most of their support comes from rural counties, small communities or human resource agencies, and at best they are already in a fragile condition.

We want nothing more than what has been needed all along, and what this Congress has sought to provide -- a full commitment to stable and flexible funding without the changes and uncertainty we have experienced the last several years. I simply urge you to stand firm in seeing that the UMTA Operating Assistance funds this Congress authorized in the Federal Public Transportation Act of 1982 are fully appropriated.

Thank you, Mr. Chairman and Members of the Subcommittee.

STATEMENT OF BERNARD J. FORD, EXECUTIVE DIRECTOR, CHICAGO TRANSIT AUTHORITY

I wish to thank Chairman Andrews and members of the Committee for the opportunity of submitting testimony on the Urban Mass Transportation Administration (UMTA) Appropriations for 1984.

The Reagan Administration's proposed elimination of Federal mass transit operating assistance will have a drastic effect on the finances of the Chicago Transit Authority (CTA). It will mean a loss of $39 million to CTA. To actually save that amount, we would have to cut $50 million of expenses to compensate for the loss of passenger revenue. This represents approximately 9% of our total service, or the equivalent of about 300 vehicles, 650 drivers and 420 support employees. Alternatively, CTA would be forced to increase its basic fare, already among the highest in the nation, from $.90 to $1.10.

The Administration believes the elimination of operating

assistance will motivate local authorities to make transit systems more efficient and cost effective. However, in the past three years CTA has already gone through an extremely difficult process of cost reductions and fare increases. Since 1980, CTA has cut its service by 8%, raised its fares by 50% and reduced its work force by over 1,200 (9%). Despite these efforts, the region faces a deficit of approximately $181 million in 1984. Illinois' Governor Thompson has proposed new State funding of only $50-$100 million. Rather than motivating us to make additional efficiencies, the elimination of Federal operating assistance will exacerbate our current financial plight and force us to further cut basic transit service. Transit riders will be forced to seek other alternatives, adding to current rush-hour congestion on the highways. Soon, added highway expenses will offset the reductions in transit funding. In addition, our fares will be priced at levels reaching beyond the means of many of our most transit dependent ridership, the elderly and the poor.

We understand that other transit systems are in a better financial situation than CTA and may indeed be operating unproductive transit services. Many transit systems across the nation are, however, experiencing severe fiscal problems. By eliminating operating assistance to promote transit efficiency, the Administration's policies will blindly throw financially marginal transit systems into a state of chaos. We believe a more constructive approach would be to consider additional limitations on the use of Federal operating funds. For example, the funds could be tied to performance measures which would raise or lower a recipient's assistance depending on improvements or declines in productivity.

We also encourage the Committee to fully appropriate UMTA's authorized capital assistance program. The transit capital need of the Chicago metropolitan region is on the average $666.4 million over the next 5 years. At the current authorized levels, Federal capital assistance will cover only half of this need. We are seeking additional local assistance to cover the difference. If there is a diminution of Federal assistance below the authorized levels, important capital maintenance and replacement will be deferred. We will eventually begin to experience the same deteriorating condition currently plaguing New York City's transit infrastructure.

It is obvious to us that the budget policies of the Administration will harm transit rather than improve it. More importantly, however, by harming transit the policies will further erode the viability of our urban centers. For these reasons, we strongly urge you to reject the Administration's position and provide transit full funding.pursuant to the Surface Transportation Assistance Act of 1982.

STATEMENT OF COL. CLINTON L. PAGANO, SUPERINTENDENT, NEW JERSEY STATE POLICE

I am Clinton Pagano, Superintendent of New Jersey State Police and General Chairman of the International Association of Chiefs of Police Division of State and Provincial Police. I appreciate the opportunity to appear before the subcommittee, representing the International Association of Chiefs of Police (IACP) and two of its major subdivisions, the Division of State and Provincial Police and the State Associations of Chiefs of Police. Both of these divisions are constitutionally authorized within the IACP and have been designed to meet the special needs of the membership they serve. The Division of State and Provincial Police is comprised of the 49 state law enforcement administrators and serves as the voice of state law enforcement. The State Associations of Chiefs of Police, comprised of representatives of the 50 state associations of police chiefs, acts as the voice of local law enforcement within the United States. Taken together, these two divisions represent the vast majority of law enforcement executives, not only within the membership of the Association, but within the United States as well.

The IACP is vitally concerned with the future of the highway safety grant program as it is currently proposed through the administration's budget requests. The 402/403 appropriation request has been reviewed with great interest by both the Division of State and Provincial Police and the State Associations of Chiefs of Police, since the membership in each group will be directly affected by the appropriation. The ultimate impact will be realized by the motoring public, who will be adversely affected through possible increases in injuries and fatalities. State law enforcement agencies have the major responsibility for highway safety and related activities within their respective states, and thus the appropriation of 402/403 monies will have a direct impact on their agencies. The State Associations of Chiefs of Police, representing local

law enforcement, will also be affected by the 402/403 appropriations, in light of local law enforcement's police traffic services mission. Further, state and local police are concerned not only with the training and operational aspects of the program, but with the research and development and technology transfer aspect of the federal highway safety program as well. All agencies will realize an impact of reduced levels of funding in this area. Without federal funding assistance, for example, smaller law enforcement agencies will fall behind in their police traffic services program in light of departmental budget reductions combined with a shift in national priorities to concentrate on urban crime, terrorism, etc. Federal support for the 402/403 programs is required to fulfill the provisions of the Highway Safety Act—to aid and assist state and local governments in the reduction of traffic-related accidents/ fatalities.

The Omnibus Budget Reconciliation Act of 1981 authorized $100 million for 402 programs for each of three years (1982 - 1984), for a total of $300 million. The amount obligated, however, has fallen short of the authorization each year. The administration's request for FY84 is again below that authorized, at $77 million. Looking at the total authorization, $300 million, compared to the amount appropriated for FY82 and coupled with the current budget request ($264.5 million), we find that $35.5 million which was authorized has been lost. The IACP proposes and strongly urges that consideration be given to the inclusion of $35.5 million to the current budget request to raise the 402 appropriation to $112.5 million. This appropriation would be consistent with the Omnibus Budget Reconciliation Act of 1981, which is supported by the current administration.

The benefits of a fully-funded highway safety program cannot be overstated. The goal of the National Highway Traffic Safety Administration (NHTSA) highway safety program is to improve state and local traffic safety efforts directed at the driver, with the end result being the reduction of fatalities and critical injuries. This is being done. Fatalities and injuries are decreasing, which is due in large measure to NHTSA funding assistance through both its 402 and 403 programs. With the knowledge that traffic-related injuries and fatalities are on the decline, the members of the Division of State and Provincial Police were surveyed to determine each state's accident experience in relation to various factors which may have contributed to the decline. As a

result of the survey, it was found that fatal accidents in those states surveyed were down by 13.9 percent from 1981, and fatalities down 13.8 percent. Reductions in total accidents were down 4.68 percent, and injury accidents by 7.11 percent. It is important to note the reasons for those reductions:

a. Legislative changes such as increased drinking age and child restraint laws.

b. Increased public awareness and community support as a result of an increased public information/education effort.

c. Changes in enforcement strategies, utilizing selective enforcement techniques to remove drunk drivers from the highway.

d. The 55 mph national maximum speed limit.

Many significant accomplishments of 402 funding programs are documented in the survey results, and time and again the state law enforcement administrators specifically pointed to 402 funding as imperative for the continuation of their highway safety emphasis. Programs such as those identified above are key factors in a reduced fatality rate, and will require federal funding support if we are to continue this trend. It is irresponsible to believe that because fatalities have decreased, funding should be decreased as well. Rather, federal funding is the basis for a majority of the activities associated with the decrease, and without its continuation, several programs will be eliminated. This, in all probability, would reverse the trend, and fatalities/injuries would rise. In addition, state administrators predict that as the economy strengthens and oil prices stabilize, vehicle usage will increase. Subsequently, motor vehicle accidents could rise and, perhaps, surpass previously established records. A significantly lower level of motor vehicle accidents and their resultant injuries/fatalities can only be realized if full funding support for 402/403 programs is allocated.

The committee is reminded that 402 and 403 programs are intimately related, and it is necessary to address the 403 budget in terms of the 402 program goals to ensure a coordinated and efficient highway safety program. Utilizing the federal rulemaking process, the Department of Transportation has prioritized its 402 highway safety program to include the following four emphasis areas:

- Alcohol Countermeasures
- Occupant Restraints
- Police Traffic Services
- Traffic Records

With the exception of those aspects comprising the alcohol countermeasures of the police traffic services mission, however, the generic discipline of "police traffic services" itself has been relegated to a minor position within the 403 program. In the administration's budget request, the "Countermeasure Support" category (sub-element police traffic services management and technical assistance) has been limited to $100 thousand—a miniscule amount when considering the mission of this category:

> To provide police managers with the management tools, updated training materials and technical assistance needed to plan, carryout, and encourage more cost-effective and cost-efficient traffic safety programs; and to pursue long range improvements in traffic operations in the face of other competing enforcement demands. Workshops will be conducted to involve top police managers, authoritative police organizations, and nationally recognized police experts and police educational institutions. These workshops will be used to exchange information on new management tools and enforcement techniques and the development of recommendations for new research and development activities by NHTSA such as updated model DWI training programs; recommended performance specifications for speed measuring devices; PTS standards for police academy accreditation; suggested performance measures for evaluating PTS programs.

The Committee is reminded that PTS is a priority 402 program, which is as it should be. PTS is the single most important element in the overall highway safety program of the Department of Transportation, as evidenced by the fact that without exception, all programs contain a law enforcement element or are influenced by one. To demonstrate this, a definition of the functions and subfunctions and which comprise police traffic services is appended to this statement for your consideration. I am certain that, upon examination of these elements, the Committee will agree that police traffic services is a major program element, and the budget should reflect its importance. In past years, police traffic services was budgeted under "Enforcement Programs," and was provided with funding in proportion to its importance:

1978	$500,000
1979	870,000
1980	641,000
1981	628,000

In FY 1982, the police traffic services budget was reduced to $100,000, and in 1983 it was eliminated altogether. It should be noted that while alcohol countermeasures, an important element of police traffic services, continued to receive adequate funding, other equally important programs have fallen by the wayside. For example, the law enforcement community has identified police pursuit as a high priority issue, and has requested federal assistance in researching this problem area with a view toward reducing the risks involved

as well as the reduction of accident and injury. As you are aware, high speed chases can result in tragic accidents, and something must be done to solve the problem (notwithstanding the necessity of apprehending fleeing criminals). The IACP, through resolutions and meetings of its Highway Safety Committee, has time and again called on the NHTSA to initiate a study of this issue.* Unfortunately, this has not yet come to fruition. Other programs which the law enforcement community has identified as necessary to a successful highway safety program include police traffic services management training, and various workshops and seminars designed to provide state-of-the-art technology and methodology developed to improve the delivery of police traffic services.

An example of how 403 monies have been utilized to support police traffic services is provided by the IACP Highway Safety Committee. This Committee has no parallel in the field of highway safety. It has within its structure representation from all sizes of agencies and jurisdictions from the small town to the largest state law enforcement agency. Its membership also reflects the international nature of the Association with representatives from Canada, Kuwait and South Africa. The Committee has established formal liaison with the American Association of Motor Vehicle Administrators and the American Association of State Highway and Transportation Officials, and a close working relationship is maintained with The Traffic Institute of Northwestern University which serves as the Secretariat for the Committee.

The Committee has been active and productive over the years as evidenced by the more than 500 resolutions which have been proposed by the Committee and adopted by the full membership of the Association since 1919.

The NHTSA recognized the value and need for a forum such as the Highway Safety Committee to serve as a focal point for the successful implementation and execution of the federal program designed to reduce traffic crashes and the injuries and deaths resulting therefrom. The NHTSA has provided financial support for the Committee, and has official representation on the Committee. NHTSA has called upon the Committee to participate in research and development activities and assist in the "marketing" of NHTSA programs and products within the police community. In recent years the committee has actively supported

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*See the appended resolution entitled "High Speed Driving-Research."

NHTSA's alcohol countermeasures program, mandatory seat belt legislation, expansion and upgrading of the National Drivers Register, and model standards for radar speed measuring devices and the model radar operator training course.

The goals of the IACP and NHTSA are highly complementary and the highway safety community has benefited from their joint efforts. The rapidly changing highway transportation field and the accompanying highway safety problem demands innovative thinking, the development of new countermeasures, and a dynamic system of policies and procedures to guide police administrators in the effective and efficient delivery of police traffic services. The Association, with the assistance of NHTSA, has committed itself to that effort.

In light of the work of the Highway Safety Committee, which provides direction to the Association and, therefore, the majority of our nation's police administrators, and the many programs it has developed in the past and has recommended for the future, the IACP supports the provision of adequate federal monies for "PTS management and technical assistance" to ensure that these programs will be carried out. Appended to this statement is a brief listing of projects undertaken by IACP, with the financial assistance of the NHTSA, in support of the federal highway safety program. Also attached is a listing of projects deemed necessary by the law enforcement community for future funding consideration. They are submitted to exemplify the types of programs required by the law enforcement community to successfully carry out an effective police traffic service program. The IACP believes that to retain this level of activity, at a minimum $500,000 should be allocated to the police traffic services portion of the NHTSA budget. In addition, the IACP believes that a pursuit study is essential, and no less than $75,000 should be earmarked to initiate a study of police pursuits. Further, consistent with the administration's emphasis on urban crime, the IACP recommends an additional $25,000 be set aside to initiate a preliminary study of the impact of increased traffic enforcement on crime. Prior research has documented a correlation between increased enforcement and decreased criminal activity, and it should be closely examined because of its implications as a both effective highway safety program and crime reduction technique. Even with these additional sums, the police traffic services budget would only total $600,000 which is in keeping with the allotments of previous years (with 1981 and 1982 being the exceptions).

Highway safety should be a national priority. Approximately 48,000 people are killed on our highways each year. An additional 3.5 million are injured as a result of traffic-related accidents. To put it in perspective, approximately 140 people die each day, and just under 10,000 are injured—every day. The IACP—the law enforcement community—believes this is a high toll, and one which can be decreased, but only with federal support and financial assistance. The Association believes that full funding for the 402 program is essential and the Congress should reflect the federal commitment to highway safety by allocating $112.5 million to the programs provided for under Section 402 of the Highway Safety Act. Additionally, in view of the importance of the police traffic services program to the overall national highway safety program, the Association urges reinstatement of an adequate budget to carry out the mission of the program. Ideally, $600,000 should be earmarked for the "PTS Management and Technical Assistance" portion of the 403 budget.

I thank you for the opportunity to appear here today and present the views of the Association and specifically the Division of State and Provincial Police and the State Associations of Chiefs of Police, and I appreciate your consideration of our position during your deliberations. I would be pleased to answer any questions you may have concerning our position or any aspect of law enforcement's responsibilities in carrying out the national highway safety program.

STATE POLICE AGENCY ACCIDENT EXPERIENCE SURVEY RESULTS

The Division of State and Provincial Police undertook a survey which was designed to measure the accident experience as recorded by state police agencies and highway patrols during 1982. The study identifies those factors which law enforcement administrators felt were most contributable to the lower accident levels of 1982.

Analysis of Survey Results

The survey was sent to 54 members agencies of the Division of State and Provincial Police. 41 agencies returned the completed survey upon which all figures were compiled.

The survey had 5 categories which measured each state's highway accident experience in 1981 and 1982. These categories are: (1) reported accidents, (2) injury accidents, (3) number of fatal accidents, (4) number of fatalities and (5) alcohol involvement in fatal accidents. Table I shows the percent increase or decrease

from 1981 to 1982 in each measured category of accident experience for each state responding agency. Means were calculated for each category.

There were significant reduction in each measured category of accident experience as measured by state enforcement agencies. This is particularly true in the area of accident producing fatalities. Fatal accidents are down 13.9% from 1981 and total fatalities produced from these accidents were down by 13.8% from 1981. Reductions were also reported in total reported accidents (-4.68%), injury accidents (-7.11%) and percentage of fatal accidents involving alcohol (-3.04%).

These are substantial reductions and numerous factors are credited to the encouraging statistics. The remaining portion of the survey was designed to account for these factors.

Speed

29.3% of the responding agencies felt that 55 NMSL compliance levels were improving. 14.6 percent said that 55 NMSL non compliance was increasing, while 51.2% of the responding agencies felt there was no substantial change in 55 NMSL compliance. Several agencies specifically mentioned the importance of the NMSL as a necessary ingredient to maintaining lower levels of highway fatalities and injuries. 402 program funding has been beneficial for projects such as selected speed enforcement target areas, hireback and overtime programs.

Legislative Changes

17 states indicated that they had mandatory child restraint laws. 11 responding states rose the legal drinking age. The impact of these legislative changes upon highway fatality experience may not be noticeable until next year. Most respondents however did feel that combined legislative efforts designed to curb driving while intoxicated had a significant impact upon highway related fatalities during 1982. Most commonly reported new DWI laws involved one or more of the following factors:

- o mandatory fines, jail terms, court, school, or community service
- o administrative revocation, increases in suspension periods
- o felony charges for injury/fatality producing accidents.

Changes in Enforcement Strategies

87.8% of the responding agencies indicated increased levels of DWI enforcement activity and arrests. 73.2% felt that the speed enforcement program was

stepped up with particular emphasis in selected enforcement and targeted areas with the availability of 402 funds.

The heavy emphasis on DWI enforcement was viewed by most of the respondents as being a major factor in the overall reduced levels of highway fatalities across the nation. Supplemental and overtime patrols in targeted areas and selected high accident prone areas were successfully utilized by numerous responding agencies. Sobriety checkpoints were also successfully implemented by several states.

Community Support

83.3% of the responding agencies said that a combination of public information/education and community support with the help of extensive media coverage were contributing factors to the year's reduction in highway fatalities. Several states indicated the importance and success of their REDDI programs. Responsive and influential groups such as MADD, RID were notable in generating legislative change and community support for enforcement activity. 90.2% of responding agencies cited such groups as critical factors in the reduced levels. 51.6% of the respondents also felt that other non-controllable factors i.e., weather conditions were partially responsible for the lower incident levels.

Other Factors

The downturn in the economic condition of the country was mentioned as a factor contributing to the overall reduction of highway fatalities. Many states indicated that largely because of economic conditions and financial restraints, motor vehicles were simply used less than in past years. Accident levels may have dropped partially due to these conditions.
Other factors mentioned as partially contributable to lower accident/fatality levels are:

- o Priority shift of speed enforcement from freeways to secondary state highways.
- o Improved medical care and rescue techniques.
- o Public concern/driver awareness.

The significant accomplishments of categorial 402 funding for highway safety

enforcement programs are well established. Overall reductions in accidents, injuries, fatal accidents, and fatalities were reported by nearly all state police agencies between 1981 and 1982. Numerous factors have contributed to these reductions. A common attitude among law enforcement administrators at the state police level is that federal funding must continue at present levels particularly for such programs as 55 compliance, traffic records, DWI enforcement, selective enforcement, and safety belt usage. Many of these existing programs, especially those which utilize patrols in high accident areas, are viewed as invaluable. This is quite evident among states, which because of budgetary constraints, cannot support selective enforcement programs on their own without 402 funding.

As the economy strengthens and oil prices stabilize, forecasters and planners predict more vehicle usage. Subsequently, motor vehicle accidents could rise and perhaps surpass previously established records. Significantly low levels of motor vehicle accidents and resulting deaths can be maintained and even lowered if current levels of 402 funding assistance are provided.

POLICE TRAFFIC FUNCTIONS

FUNCTIONS	FUNCTIONAL BASIS OR DEFINITION
1. Traffic Control and Direction	1. Affects Traffic Flow Directly
2. Accident Management	2. Activity Connected with Accidents Only
3. Law Enforcement	3. Moving Violation Control
4. Ancillary Services	4. Activity or Service Indirectly Affecting Traffic Flow
5. Support	5. Any Activity in Support of Field Traffic Functions
6. Justice Systems Interaction	6. Traffic-Unrelated Activity Normally Performed While on Traffic Duty
7. Regulatory Activities	7. Regulation of Driver/Vehicle Status (not Moving)

POLICE TRAFFIC FUNCTIONS AND SUBFUNCTIONS

1. Traffic Control and Direction

   a. Intersection Control
   b. Parking Control
   c. Pedestrian Control
   d. Traffic Management
   e. Public Contact
   f. Escort
   g. Event Control
   h. Hazard Control
   i. Temporary Device Control

2. Accident Management

   a. Initital Investigation
   b. Follow-up
   c. Traffic Control
   d. Injury Control
   e. Enforcement
   f. Records/Reports
   g. Notification

3. Law Enforcement

   a. Line Patrol
   b. Area Patrol
   c. Selective Location Patrol
   d. Records/Logistics
   e. Maintenance

4. Ancillary Services

   a. Giving Information
   b. Aiding Disabled Motorists
   c. Emergency Services
   d. Hazard Removal
   e. Inspection
   f. Auto Theft Control
   g. Abandoned Car Control

5. Support

   a. Administration
   b. Planning/Budgeting
   c. Office Management
   d. Personnel Management
   e. Research/Analysis
   f. Public Information
   g. Training
   h. Communications
   i. Transportation
   j. Records/Identification
   k. Facilities
   l. Property Control
   m. Supply Equipment
   n. Laboratory
   o. Other Technical

6. Interaction

   a. Court Duties
   b. Serving Notices
   c. Criminal Control
   d. Detention Activities
   e. Transportation

7. Regulatory Activities

   a. Driver Licensing
   b. Vehicle Registration
   c. Vehicle Inspection
   d. Weight Control
   e. Carrier Regulation
   f. Commercial Regulation

FUNCTION 1 - TRAFFIC CONTROL AND DIRECTION

01 Intersection Control

A. General

   1. Using Hand Signals to Direct Motorists
   2. Giving Directions

B. Peak Traffic

   1. Regular Duty at An Intersection
   2. Manually Operating a Signal

02 Parking Control

A. Peak Hour

   1. Morning and Afternoon Commuting
   2. Tow-Away Zones

B. Offpeak

   1. General Surveillance
   2. Time Control by Issuing Tickets

C. Mobile Beat

1. Using Patrol Cars
2. Patrolling on Foot

03 Pedestrian

A. School Crosswalk

B. Downtown Intersection

04 Traffic Management

A. Take Complaints

1. Traffic Signal Out
2. Accident, etc., Stalling Traffic

B. Answer Questions

1. About Congestion, Routes
2. Local Rules

C. Dispatch Units

1. Direct Patrol Car to Scene
2. Record Foot Patrol Beats

D. Preparing or Analyzing Traffic Control Reports

1. Preparation

a. Daily Activity Reports
b. Periodic Review Reports

2. Analysis

a. Traffic Data Analysis
b. Evaluation of Traffic Routing

05 Public Contact

A. Officials

1. Traffic Engineers
2. Construction Supervisors

B. Citizen Groups

1. Crosswalks
2. Monitors
3. Generaly Interested Groups

06 Escort

A. Public Officials

B. Emergency Vehicles

C. Unusual Cargo or Loads

07 Event Control

A. Route Control

1. Planning a Parade Route
2. Clearing Pedestrians

B. Crowd Control

1. Protecting Roadway from Theater Crowd
2. Directing Traffic at Special Events

08 Hazard Control

A. Accidents

1. Overturned Truck, Spilled Cargo
2. Multi-car Collisions

B. Other Hazards

1. Fallen Power Line
2. Signal Outage
3. Warning Device Inoperative

09 Temporary Device Control

A. Patrol

1. Checking a School Crossing
2. Patrolling Congested Areas

B. Temporary Set-up

1. Moving Barriers
2. Activating Peak Hour One-Way Signs
3. School Zone Signs

C. Enforcement

1. Conducting a Road Block
2. Stopping Traffic to Facilitate Pursuit

FUNCTION 2 - ACCIDENT MANAGEMENT

01 Initial Investigation

A. Statements from Drivers, Witnesses

1. Prepare and Safeguard Formal Written Statements

B. Examine Vehicles and Drivers

1. Know What Constitutes Evidence
2. Check Vehicles for Defects, Titling
3. Check Drivers for Operator's Permits, Contributing Conditions (e.g., Intoxication)

C. Examine Roadway and Weather Conditions

D. Get and Record all Facts

1. Measurements to Locate Impact, Debris and Position of Vehicles
2. Maps and Diagrams - Field Sketch
3. Photographs
4. Accident Report
5. Supplementary Field Notes

E. Analyze Accident

1. Need for Expert and Technical Help/Not Often
2. Speed Estimates
3. Cause Analysis
4. Examination of Vehicle Damage

F. Hit & Run Investigation

1. Recognize Situation
2. Conduct Special Investigations
3. Conduct Debris and Evidence Analysis

02 Follow-up Investigation

A. Formal Statements

B. Formal Reports

C. Follow-up Research

1. Hit and Run Investigation
2. Off-Scene Data Collection
3. Maps and Diagrams
4. Hospital Follow-up

03 Traffic Control (Mode Change)

A. Crowd Management

1. Crowd Protection
2. Crowd Control

B. Protect Traffic Flow

1. Use Signals: Flares, Markers, Flashlights, Volunteers
2. Prevent Additional Collisions at Scene
3. Reroute Traffic

C. Summon Additional Police Help if Needed

04. Emergency Control

A. Anticipate Emergency Conditions

1. Arrange for Possible Needed Help, Fire Unit, Ambulance, Tow Truck

2. Inform Other Units of Safe Approach, Considering Possible Situations

B. Fire Hazard Control

1. Recognize and Deal with Potential Hazards
2. Extinguish Existing Fires

C. Safety and Protection of Injured

1. Remove from Vehicle or Roadway

2. Initiate Emergency Treatment

a. Stop the Bleeding
b. Protect the Wound
c. Treat for Shock

D. Theft and Pilferage Control

1. Recognize and Deal with Potential
2. Check for Valuables
3. Complete Inventory Form
4. Provide for Safekeeping

05 Enforcement

A. Determine Necessity for Enforcement

1. Examine Evidence

B. Change to Enforcement Mode

C. Check Principals for Connection with Other Crimes

D. Attempt to Determine Criminal Action (i.e., Assault, Suicide, Murder, etc.)

06 Records and Reports

A. Analysis of Violations

B. Analysis of Direct Causes

C. Case Summary Sheet, Diagrams

D. Hit and Run Records, Evidence Control

E. Summaries and All Forms Completed

07 Notification

A. Report Death to Medical Examiner or Coroner

B. Notify Towing Service

C. Notify Street or Highway Department of Dangerous Roadway Conditions

D. Notify Public Utilities of Broken Poles, Pipes, Wires, etc.

E. Notify Commercial Owners of Vehicles Involved

F. Notify Traffic Engineer of Defective Traffic Controls

G. Assist News Media/Public Information

H. Communications with Relatives

I. Notify Next-of-Kin of Dead or Injured

J. Court/Public Attorney

1. Provide Records to Public Attorneys
2. Conduct Pre-Trial Conference
3. Prepare Case
4. Testify

FUNCTION 3 - LAW ENFORCEMENT

Within each of the three types of patrol (0.1 - 3) certain general activities are typically performed. They are:

- Traffic Surveys
- Inspection
- Enforcement Action

  Oral Warning
  Written Warning
  Citation
  Arrest

- Pursuit
- Apprehension Tactics

  1. Line Patrol

a. Hazardous Driving Control
b. Motorist Ancillary Services

2. Area Patrol

a. General Enforcement, Surveillance
b. Inspection and Property Ancillary Services

3. Selective Location Patrol

a. Intersection (and Spot) Violation Control
b. Electronic and Mechanical Surveillance
c. Infrequent General Interface

4. Records/Logistics

a. Report Preparation/Submission
b. Beat Coordination
c. Dispatch/Response

5. Maintenance

a. Service Vehicle
b. Maintain Personal Equipment
c. Maintain Skills

FUNCTION 4 - ANCILLARY SERVICES

01 Aiding Disabled Motorists

A. Give Information or Direction

B. Supply First Aid or Medical Assistance

C. Provide Fuel or Mechanical Assistance

D. Transport Motorist or Message

E. File Report

02 Public Information

A. Prepare and Present Lectures and Public Addresses

B. Show/Explain Films

C. Conduct Driver Training Classes and Safety Education

D. Prepare Reports

E. Provide Press Release - News Coverage

F. Provide Traffic Surveillance

G. Provide Tourist Information

03 Emergency Services

A. Evaluate Problem

B. Supply First Aid or Medical Assistance

C. Contact Additional Assistance if Required (Ambulance, etc.)

D. Provide for Safe Flow of Traffic

E. Transport Needed Items

F. Transport Ill or Injured

G. Attempt to Locate Missing Persons

04 Lost and Found Property Control

A. Detect

B. Report Item

C. Return or Impound

D. File Report

05 Abandoned Vehicle Control

A. Vehicle Check

1. Determine Status

B. Tag Vehicle

C. Impound Vehicle

D. File Report

E. Disposition Notice

1. Notification and Disposition Processes

06 Hazard Removal

A. Detect and Evaluate

B. Remove or Call for Assistance (Debris)

C. Provide for Safe Traffic Movement

D. File Report

07 Inspection

A. Inspect Call Box to See if it is Operative

B. Rest Area Check

C. Property Check or Inspection

D. Special Detail

E. Miscellaneous

F. Check Lighting on Highways, All Traffic Control Devices, Including Construction Requirements

08 Auto Theft Control

A. Maintain System Control Lists

1. Sheets
2. Computer

B. Visual Checks

C. Apprehension

D. Law Enforcement Mode

FUNCTION 5 - SUPPORT

01 General Administration

A. Preparing and Issuing Orders

B. General Department Evaluation

C. Internal Affairs Control

02 Research/Analysis

A. Data Gathering

B. Special Studies

C. Statistical Analysis

D. Report Preparation

E. Technical Evaluation

F. Report Review

03 Public Information

A. News Releases

B. Brochure and Report Publication

1. Safety Displays

C. Meeting with Civic and School Groups

D. Community Relations

04 Training

A. Recruit Basic Training

B. On-the-Job Training -- In Service

C. Academy Operation

D. Course Development

E. Field Extension Operation

F. Firearms Training

G. Materials Preparation

H. Specialized Training

I. Library Operations

J. Roll-call Training

K. College Programs

05 Facilities/Services

A. Building Maintenance

B. Food Services

C. Health Services

D. Ground Maintenance

E. General Labor

F. Office Equipment Services

G. Major Equipment Purchasing

06 Planning/Budgeting

A. Budget Preparation

B. Operational Planning

C. Fiscal Planning

07 Office Management

A. Accounting

B. Office Personnel Management

C. Office Equipment Operation

D. Payroll Operations

08 Personnel Management

A. Recruiting

B. Personnel Investigation

C. Performance Review

D. Maintaining Discipline and Morale

E. Promotional Procedures

F. Executive Development

G. Recreation

H. Maintaining Personnel Files

09 Communication

A. Call for Service

B. Radio Dispatch Operations

C. Maintaining Situation Boards, Locator Files

D. Equipment Operation

E. Teletype Operation

F. Telephone Operation - Interconnections

G. All Oral Messages and Written Memo's

10 Transportation

A. Vehicle Servicing

B. Motor Pool Operation

C. Garage Operation and Maintenance

D. Cycle and Scooter Control

E. Other Vehicle Control

11 Records

A. Filing and Indexing Reports

B. Preparing and Issuing Forms

C. Warrant and Subpoena Preparation

D. Identification Operations

E. Reproduction/Duplication

F. Mail Processing

G. Maintaining Incident and Name Files

H. Maintaining Warrand and Wanted Files

I. Responding to Inquiries

12 Property Control

A. Vehicle Storage

B. Court Property Control

C. Property Identification

D. Evidence Control

13 Laboratory

A. Evidence Analysis

B. Photographic Processing

C. Identification Analysis

14 Supply/Equipment

A. Equipment Procurement

B. Stores/Supply Issuing

C. Equipment Storage

D. Quartermaster Operations

15 Other Technical Services

A. Data Processing

B. Audio-Visual Operation

C. Graphic Arts

D. Fingerprinting

E. Electronic Services

F. Engineering

G. Machine Shop

H. Computer Operations

I. Technical Writing

05 Transportation

A. General Transport, Supplies, Prisoners

B. Emergency Transport, Blood, Serum, Injured

FUNCTION 7 - REGULATORY ACTIVITIES

01 Driver Licensing

- A. Notification
- B. Test Administration
- C. Test Scoring
- D. Performance Evaluation
- E. Recording

02 Vehicle Registration

- A. Notification
- B. Test Administration
- C. Test Scoring
- D. Performance Evaluation
- E. Recording

03 Vehicle Inspection

- A. Notification
- B. Inspection
- C. Evaluation
- D. Recording
- E. Maintenance

04 Weight Control

- A. Surveillance
- B. Weighing
- C. Enforcement Action
- D. Recording

05 Public Carrier Regulations

- A. Inspection
- B. Licensing/Registration
- C. Reporting

06 Commercial Regulation

- A. Inspection
- B. Licensing/Registration
- C. Reporting

IACP HIGHWAY SAFETY PROJECTS

1972-1983

The following is a compilation of the major IACP highway safety associated projects from 1972 to the present along with a brief description of each. By no means does this listing reflect all of the activities and projects of the Division in the highway Safety area.

- Alcohol Safety Action Program (ASAP) 1972

  The Alcohol Safety Action Program funded by the NHTSA awarded a grant to the IACP Highway Safety Division to make site assessments of 20 selected ASAP locations. The purpose of these assessments was to make a determination of alcohol countermeasures resources and capabilities at the sites and to recommend improvements in needed program areas. A major result of the site visits was the publication of "Alcohol Enforcement Countermeasures", 1976. This manual details the salient aspects of alcohol countermeasures programs of the 20 sites including such areas as: research on the relationships of alcohol abuse to highway safety, police planning in the area of alcohol enforcement countermeasures, selective enforcement and alcohol enforcement countermeasures, the general nature of the problems encountered by police in the enforcement of drinking-driving laws, and police/community relationships in the enforcement of alcohol safety project. Based upon the information in the Alcohol Enforcement Countermeasures Manual, the Alcohol Enforcement Countermeasures Instructors Manual was developed. This is a 40 hour course instructors plan treating 11 major topical areas in alcohol countermeasures.

- Assisted in development of the Vehicle Theft Investigators Manual, 1972.
- A Plan For Progress, New Mexico State Police, January 1972. A section of this study is a survey and analysis of existing patrol methods and techniques and recommendations for future progress in this area.
- Begun evaluation of the Selective Enforcement Traffic, 1972, program in the state of North Dakota in conjunction with Safety Management Institute (SMI).
- Technical Assistance for the preparation of the volume entitled "Report on Police" developed by the National Advisory Commission on Criminal Justice Standards and Goals—1973.

  This Commission drew upon the advise of the IACP in formulating these national criminal justice standards and goals for crime reduction and prevention at the state and local levels. In the development of standard

9.6 Traffic Operations, the IACP "Selective Traffic Enforcement Manual", 1972, and "Police Traffic Responsibilities," 1972 were referred to for a standard policy on specialization in police traffic operations.

- Began operation of central index file of state police planning officers research and planning studies, 1973-present.
- Provided input to National Governors' Conference utilized in their report on progress achieved under the Safe Streets Act, 1973.
- Review and Evaluation of Pedestrial/Bicyclist Safety Policies, Procedures, Methods and Capabilities, Sept., 1974.

  This study was conducted in an effort to improve Pedestrian/Bicyclist enforcement programs. This entailed an assessment of enforcement policies and the rationale employed in formulating those policies in 30 separate sites. The study evaluated both weak and strong points of the program improvement.
- Management Career Development Program for State Law Enforcement Administrators - Under contract to the LEAA, the Division has conducted two series of management programs for state administrators

  The purpose of these programs has been to provide the top level of management with current management theory to assist them in the execution of their official responsibilities. Management of human resources has traditionally been a key issue addressed at the programs. Began 1973-Pilot course at New York State Police Academy.

  In 1974, two week sessions were held in three states and provincial regions and a 5½ day session was held in the Mountain Pacific region. There were no seminars between 1975 and 1979, but requests for funding the programs continued and the seminars were held again in 1980-81.
- Assessment of Police Traffic Services in Oakland County, Michigan, August 1974.

  The goal of this project was to bring about improvements in police traffic services of 14 police agencies of Oakland, County. Functional assessments included the following areas: traffic services planning, selective traffic law enforcement; use of accident data; traffic bureau operations; traffic policies and procedures; time expended on traffic duties and in traffic court; personnel information, police traffic training; fiscal information reporting methods and enforcement statistics.

- Police Traffic Services Series of model departmental directives, in three volumes, Police Traffic Services Policies, Police Traffic Services Procedures, and Police Traffic Services Rules.

  This series provides police administrators and traffic operations personnel with a valuable reference to policy, procedures, rules and regulations when planning, implementing or revising a traffic program. Prepared for the NHTSA under a contract begun in 1973 completed in 1975. This manual is currently under revision.

- Highway Safety Policies for Police Executives, resolutions of IACP relating to highway safety and police traffic services. Administrators may consult this source for guidance and assistance in establishing and operating a traffic program. Resolutions date back to 1919. An annual supplement is provided.

- A Comprehensive Plan for Progress: Michigan Department of State Police April 1975.

  This comprehensive report details the traffic enforcement history and trends of the Michigan State Police. The report also includes measures of performance, defines the organizational structure, analyzes manpower allocation and distribution and, patrol and field operational techniques and procedures.

- Conducted survey with National Bureau of Standards relating to the failure of steel belted radial tires on state patrol vehicles, 1975.

- Began liaison between members and NHTSA regarding requirements for enforcement of the National 55 MPH speed limit. 1975-present.

- Highway Safety Program Management Series, consisting of four texts entitled: Introduction to Police Traffic Services Management; Police Traffic Responsibilities (involving a study of nine state and local police agencies and their traffic services, allocations of resources, manpower assignments, etc.); Selective Law Enforcement (includes systems for allocations of resources, planning programs, records, etc.); Alcohol Enforcement Countermeasures (includes recommendations and and guidelines for programs involving systems approach to multi-organizational coordination). 1976

- A Program of Progress for the Public Safety and Criminal Justice Systems of the Navajo Nation. May 1976.

  This program included a detailed evaluation of existing traffic and

patrol operations for the Navajo nation. A proposed five year patrol manpower allocation and distribution plan is recommended as well as a review of patrol and traffic needs.

- Completion of Roadside Hazard and Identification Removal Project delivered the Insurance Institute for Highway Safety in August 1976.
- Completion of study concerning law enforcement responsibilities regarding implementation of conditions of the Uniform Alcoholism and Intoxication Treatment Act. 1976
- Began work on contract from the NHTSA identifying techniques, methods, equipment and problems associated with 55 MPH enforcement. 1976
- Enforcement of the National Maximum Speed Limit (NMSL)

  A three year project, funded by the National Highway Traffic Safety Administration (NHTSA), involving enforcement of the NMSL by the Nation's state police and highway patrols. The project consisted of three phases, each of one year's duration.

  Phase I of the project, was a state-of-the-art study of the NMSL enforcement practices, procedures, resources, policies and results of the state law enforcement agencies. In August, 1977, the Phase I report was submitted to the Contract Technical Manager of NHTSA. Entitled Final Report: National Maximum Speed Limit (NMSL) Enforcement Practices.

  Under a contract modification during Phase I, the division also conducted three regional workshops on the NMSL. Three groups of representatives attended each workshop. They were the state law enforcement agency heads, governor's highway safety representatives, and states' public information officers responsible for public information programs relating to the NMSL. Workshop activities, reports and recommendations were reported in Final Report: Three Regional Workshops on the National Maximum Speed Limit, February, 1977.

  Phase II of the project, completed in September 1978, involved evaluating NMSL enforcement practices and procedures by operating testing procedures with the cooperation of six state police and highway patrols.

  Phase III of the project, entitled Administrator's Guide to Speed Enforcement/Patrol Configurations for the National Maximum Speed Limit, completed in June 1979, was designed to inform law enforcement administrators of the enforcement practices and procedures utilized by

state law enforcement agencies in the enforcement of the NMSL.

Evaluations of enforcement configurations of six states.

- Participation in 1977 Pedestrian Safety Program conducted by AAA. 1977 - present.
- Participation in Advisory group and Sub-Committee of the Nonresident Violator Compact, early 1960s.
- Reduced Visibility Practices and Procedures of State Law Enforcement Agencies, February 1977.

  Designed to determine the extent of reduced visibility accidents on the total motor vehicle collision experience and those geographic areas having a propensity for such accidents.
- The Patrol Operation - Describes the principles, practices and responsibilities of patrol officers - latest edition 1977.
- Comparative Data Report - In 1966, 1967, 1968, 1969, 1970, 1973, 1974, and 1977, the Division compiled, with the cooperation and assistance of the states and provinces, a report which provides comparative information and operation of state police, highway patrol, and provincial police organizations. The Comparative Data Report is the only known resource document containing detailed information on all aspects of the state and provincial law enforcement agencies.
- Four regional workshops on the NMSL and other Highway Safety programs. October 1978, September 1979, November 1980. These workshops were designed to accomplish several goals namely:
  (1) To develop an understanding the federal/state role as it pertained to the states of the NMSL.
  (2) To provide a forum of mutual support and planning for increased NMSL compliance.
  (3) Encourage the transfer of information pertaining to improvements in highway safety and police traffic services.

  The 1980 regional workshop was devoted to both 55 NMSL enforcement and DWI enforcement countermeasures.
- Delivery of Police Traffic Services in Grand Junction, Colorado. Traffic Management Study of Grand Junction Police Department, May 1979. An operational, organizational and administrative review of the Grand Junction, Colorado Police Department with a particular emphasis in police traffic services. A detailed analysis of current services as

as well as projected needs and recommendations to meet those needs in five years. The Study entailed an analysis and recommendations in the following areas: community attitudes, traffic policing problems, organizational structure, traffic manpower allocation and distribution, coordination of traffic activities, personnel administration, records management, relationships with other agencies.

- A Resource Allocation and Needs Assessment Study of the Montana Highway Patrol, Montana Division of Motor Vehicles. 1979.
  This study provided a detailed analysis of the Montana HIghway Patrol including existing and planned structure/organization, research and planning, training and recruiting methods, records management, analysis of automated records systems, communication, traffic activities/operations accident analysis, manpower, NMSL enforcement, selective law enforcement, drinking/driving enforcement.
- Conducted a 40-hour alcohol countermeasures training program for the Brimingham Police Department. Birmingham, Alabama 1979.
- An Evaluation Study of the Selective Traffic Enforcement Program (STEP) of the Greensboro Police Department, Greensboro, North Carolina, April 1980.
  An evaluation of the elements of the selective enforcement program of Greensboro in terms of its ability to meet the accepted principles of police selective traffic enforcement programs. Findings are measured in terms of accident reduction techniques and results, energy conservation measures and cooperation with other agencies. There are also recommendations for improvements.
- Coordinated a voluntary motorcycle helmet use campaign for the Motorcycle Safety Foundation. 1980
- Provided technical assistance to the Maryland State Police for NMSL improvement. 1980
- Technical assistance to the Louisiana State Police, New Mexico State Police, Arizona Department of Public Safety and Texas Department of Public Safety for 55 MPH National Maximum Speed Limit enforcement programs. 1981
- Determining the Cost of Enforcing the 55 MPH Speed Limit, April 1981. State law enforcement agencies were surveyed in an attempt to determine the cost of their total NMSL enforcement efforts. Provided a statistical

basis for future federal assistance in this area.

- Began revision and combining of manuals of Police Traffic Services Policies/Procedures/Rules and Highway Safety Policies into one document. 1981.

Current Projects

- Safety belt public education and information campaign.
  Under a contract from the NHTSA, this is a major safety belt promotional campaign utilizing the IACP membership to give presentations as to the dangers of not wearing safety belts and the advantages of using them. Project staff developed model speeches and press releases and distributed the information for use across the country.
- Development of Standards for the Commission on Accreditation of Law Enforcement Agencies.
  Current- The Manual of Police Traffic Services Operations and Administration Standards is an accumulation of standards which reflect the functions and activities performed by law enforcement agencies to provide police traffic services. The four major topical areas for which 1,010 standards were developed are (1) Law Enforcement Role, Responsibilities and Relationships, (2) Administration, (3) Operations, and (4) Auxiliary and Technical Services. Completed April 1983.
- Police Traffic Services Comparative Data Report.
  Recognizing the need for a comprehensive source for police traffic services management information at the national level, the IACP was awarded a contract to determine the feasibility of developing a PTS Comparative Data Report. Preliminary results show that a wide range of administrative, operational and service-related data is both available and desired in a comparative report. The Division will request continued funding to produce the report.
- State Police Planning Officer's Section (SPPOS)
  Conference - The SPPOS meets annually to exchange data on a wide variety of topics and to learn of effective and innovative programs. The meetings provide a forum through which administrators can discuss other important highway safety related issues such as 55 NMSL selective traffic enforcement programs, seat belt programs, and DWI enforcement.

DISCUSSION PAPER
PROPOSED HIGHWAY SAFETY RELATED PROJECTS

The NHTSA has long been responsive to the needs of law enforcement in the highway safety area. Alternately, the state and local police, through the IACP Division of State and Provincial Police and the Highway Safety Committee, have supported NHTSA programs impacting on law enforcement and the delivery of police traffic services. In a spirit of cooperation, the Division and the Highway Safety Committee have identified program areas in the past which they believed should be given priority status by the NHTSA. This has been done through IACP resolutions, and letters and meetings with NHTSA officials addressing various federal programs in relation to the law enforcement mission. In the past, the IACP membership has requested the cooperation of NHTSA in providing funding support for a number of these programs dealing with police traffic services, and has received such support.

In addressing the direction of law enforcement's future highway safety program, as viewed by the IACP Division of State and Provincial Police, State Police Planning Officers Section, and the Highway Safety Committee, several projects have been identified as being beneficial to the improvement in the delivery of police traffic services, and are provided to NHTSA for their consideration.

The nature of the Association, coupled with its organizational structure, enables the IACP to be responsive to the needs of law enforcement far beyond the scope of other organizations. Because the IACP is a membership organization, it is intimately aware of issues and problems facing our nation's law enforcement. Again, its membership function provides an opportunity for various segments of the law enforcement community to meet for a common cause, as best evidenced by the Highway Safety Committee and the Division of State and Provincial Police. Because of the IACP's longstanding credibility among law enforcement professionals, the Association's ability to collect sensitive data, conduct seminars, and respond to the needs of the police community cannot be matched. It is because of this that the following activities are proposed.

1. Accreditation Program for Law Enforcement Agencies. NHTSA has supported the development of the traffic component of the Accreditation Program through an interagency agreement with LEAA/OJARS. Work on the traffic standards will be completed by April 30, 1983.

In a related project, NHTSA is supporting the Revision and Updating of Model Manuals for Police Traffic Services. There is sufficient funding to develop model policies and procedures specifically addressing the 98 accreditation standards developed for Chapter 23, Traffic Operations and Administration. However, there are a significant number of traffic related standards contained in the remainder of the 46 chapter accreditation standards manual. Project staff have identified a total of 439 standards that directly or indirectly impact the delivery of police traffic services; 215 standards address administrative functions; 140 standards address operations; and 84 standards address auxiliary or technical functions. These standards have been assembled in a separate manual which addresses the entire spectrum of police traffic services.

We believe it is appropriate to have model policies and procedures for all 439 standards. The Highway Safety Committee and the Division of State and Provincial Police have approved this concept and they recommend that additional funds be allocated in the form of a modification to the existing contract to support the additional staff effort required to accomplish this task.

2. DWI Technical Assistance. As a result of new federal legislation, states will be required to meet certain specific criteria to be eligible to receive funding for alcohol safety programs. To complement the federal incentive grant program, the IACP sees the need to provide technical assistance to law enforcement, consisting of specialized projects relative to DWI problem identification, countermeasure development, public information and education, training, and evaluation. The technical assistance projects would be designed to improve enforcement and public information and education efforts, taking into account the recommendations of the Presidential Commission on Drunk Driving and the federal incentive grant program, so as to enhance the total DWI program in the various jurisdictions.

3. Police Traffic Services Comparative Data Report. There is currently no single comprehensive source for police traffic services management information on a national level. Recognizing the need for such a resource document, the IACP was awarded a contract to determine the feasibility

of developing a PTS Comparative Data Report. The initial study is intended to provide an assessment of the availability of comparable management data (administrative, operational, and service-related) in readily retrievable format by the state-level agencies and an examination of the types of information that could best be utilized on a national scale in a document of this type. Preliminary results of the feasibility study have been favorable and continued funding is now essential to the acquisition of the selected data elements and the production of the report.

Recognizing that no agency operates in a vacuum and the experiences and activities of one agency can be an invaluable resource to other interested agencies, the Division believes that the collection and dissemination of police traffic services management information would provide much needed data to facilitate planning, development, implementation, and evaluation of highway safety programs and activities. This would be particularly helpful to the NHTSA, in that reliable comparative data will be available concerning a variety of issues, such as DWI programs; seat belt policies/legislation; DWI legislation; training requirements in radar and breathalyzer techniques, etc. Because the most recent edition of similar reports was published in 1978, a need exists to revise and update the document to reflect the current trends in highway safety issues. (Resolution attached)

4. Managerial Skills Development Seminars. Improvement of police service has a direct relationship to the efficiency of its operation and, ultimately, its ability to reduce traffic accidents and injuries. Improvement is best accomplished through a program of education and training, at the operational and administrative levels. While training opportunities exist in abundance at the operational level, few programs are specifically designed for the mid- and upper-management levels of police administration. This training is urgently needed, as the traditional path to the top level of police organizations has been a process of advancing through the ranks, generally without the benefit of training in the skills required to assume the complex responsibilities of a contemporary police administrator. The result is that a substantial proportion of the

mid- and upper-level managers are not equipped to handle the complex affairs of a modern day police agency. This is clearly demonstrated in the management of police traffic services, a field that is constantly affected by changing legislation, newly developed equipment and innovative techniques. While the IACP has attempted to keep administrators attuned to the changing field through periodic mailings, which is effective to a degree, a definite need exists for seminars dedicated to the management of police traffic services, where administrators are provided with training, practical exercises, and the opportunity to apply knowledge to their particular problem areas. This includes the ability to ask questions, and compare problems/solutions with colleagues.

The Division has recognized the need for such programs as a method of ensuring that managerial staff are provided with state of the art concepts and techniques, which will lead to the improvement in police traffic services—vis-a-vis reduction in accident and injury on our highways. (Resolution attached)

5. Police Pursuit Study. High speed vehicular pursuit has been a significant concern to law enforcement for the past few years. Susceptibility to civil action for accident/injury resulting from police pursuit has been well documented. The IACP, at the direction of the Highway Safety Committee and the Division of State and Provincial Police, has sought NHTSA funding to study the nature and severity of the problems associated with police pursuits in terms of their effectiveness vs. their threat to highway safety, and to develop appropriate countermeasures (i.e., training, equipment, policies) to reduce the incidence of unsuccessful pursuits (e.g., ending in accident) and a department's liability associated with unsuccessful pursuits. (Resolution attached)

6. State Police Planning Officers Section (SPPOS) Conference. The SPPOS, a sub-unit of the IACP, meets annually to exchange data on a variety of topics and to learn of new or unique programs. In the past, the SPPOS has received funding assistance for the three-day programs which have addressed seat belts, the 55 national maximum speed limit; selective traffic enforcement programs; truck enforcement, etc. During the 1982 program, the

SPPOS developed a resolution in support of continued funding support for the 1983 program, the theme of which is DWI enforcement. (Resolution attached)

7. Division Regional Meetings. In former years, the NHTSA has provided funding support for yearly regional meetings of the administrators and field commanders of state law enforcement agencies. These three-day meetings primarily addressed the 55 NMSL, but also focused on other national problems and their solutions. Topics included Operation CARE, alcohol safety programs, interstate compacts, selective enforcement, etc. The thrust of each meeting was to initiate a coordinated effort in the implementation of national programs. By bringing together the administrators and chief operational officers, both the management and operations perspective were considered, with the result being the development of more precise solutions to problem areas, and the desired coordination among states. The Division has requested the reinstatement of NHTSA funding to provide assistance, focusing on the drunk driving issue, including the role of the state agencies in implementing the Presidential Commission's recommendations and in meeting those criteria within the NHTSA incentive grant programs. Attention will also be focused on safety belts, promoting the public information/education kits prepared by the NHTSA/IACP.

8. Highway Safety Resolutions Manual. The NHTSA has provided funding for the printing and distribution of resolutions of the Association concerning highway safety. These manuals have documented the history of highway safety, beginning with resolutions calling for the licensing of drivers (1919) through the most current, which call for mandatory safety belt and child restraint use. The manuals have been utilized by various law enforcement agencies as support for state legislation (i.e., Front-Rear License Plates, Minimum Drinking Age, Vehicle Window Glass-Light Reflectance/Transmittance); and for the development of departmental policy and procedure (i.e., police pursuit, seat belt use). The manuals have also been useful to the NHTSA, National Committee on Uniform Traffic Laws and Ordinances, National Association of Governors Highway Safety Representatives, National Committee on Uniform Traffic Control Devices and other organizations in assessing the law enforcement position on a variety of highway safety/police traffic services issues.

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The manuals were originally published in the mid-sixties, and updated yearly with funding assistance by NHTSA. However, the original manuals, as well as all but the most recent year, are out of print and no longer available to the highway safety community. Recognizing their value as a resource on a variety of issues, the IACP believes that the redistribution of the manuals would ensure the continuity of the national law enforcement perspective on highway safety.

HIGH SPEED DRIVING - RESEARCH
1980

WHEREAS, There is increasing concern in the law enforcement community over the growing tendency to find police civilly liable in accidents resulting from high speed driving in response to emergencies or from high speed pursuit of suspected law violators; and

WHEREAS, In Resolution F-32 passed in 1966 the IACP noted that the apprehension of the law violator at time calls for high speed pursuit driving and reaffirmed its conviction that such pursuit is justified if required to accomplish the legitimate objectives of law enforcement; and

WHEREAS, There is a need for an in-depth study of this entire issue to determine its magnitude, what if any legislation is necessary and the written policies necessary to protect and guide the law enforcement officer when operating an emergency vehicle at high speed under emergency or pursuit circumstances; and

WHEREAS, In recent testimony to the U.S. House of Representatives Committee on Appropriations, the Administrator of NHTSA declared that: "Action must be taken to determine the degree, severity and possible countermeasures to the problems associated with the operation of police vehicles at high speeds"; and

WHEREAS, The IACP by resolution F-43 passed in 1969 communicated its concern with this sensitive issue and urged the Association's cooperation in any research conducted by the National Highway Safety Bureau (now NHTSA) in this highly sensitive field; now, therefore, be it

RESOLVED, That the IACP again communicate to NHTSA its increasing concern regarding the lack of available data or research in this sensitive field of high speed driving by police and assure NHTSA of IACP's complete cooperation and participation in any research program conducted by or for NHTSA to resolve this national issue involving all levels of law enforcement; and be it further

RESOLVED, That the research include the development of countermeasures to assist the police in terminating pursuits; and be it further

RESOLVED, That due to the high degree of sensitivity in the law enforcement community regarding the issue, the IACP recommends to NHTSA that any research program be conducted by the IACP so as to insure complete cooperation of the law enforcement community in releasing such sensitive information and to insure the creditability of the findings and their implementation by the great majority of the law enforcement community.

CONCLUSION OF HEARINGS

Mr. HARDIN. That concludes the hearings. The subcommittee will recess and reconvene at the call of the Chair.

[Whereupon, at 12:20 p.m., Wednesday, April 27, the hearings were concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

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